

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file No. 000-19182

Nord Pacific Limited

(Exact name of registrant as specified in its charter)

New Brunswick
(State or other jurisdiction
of incorporation or organization)

Not Applicable
(I.R.S. Employer
Identification No.)

40 Wellington Row, Suite 2100, Scotia Plaza
Saint John, New Brunswick
(Address of principal executive offices)

E2L 4S3
(Zip Code)

Registrant's telephone number, including area code (506) 633-3800

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock No Par Value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Aggregate market value of voting stock held by non-affiliates based on the average of NASDAQ bid and asked quotations of \$.406 on April 6, 2000, was \$3,762,392.

The number of common shares outstanding as of April 6, 2000 was 12,960,803.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement to be dated on or about April 30, 2000.

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

General

Nord Pacific Limited (the Company), is engaged in the production of copper and in the exploration for gold, copper and other minerals in Australia, Papua New Guinea (PNG) and North America. As used herein the term "Company", unless the context indicates otherwise, includes the Company and its subsidiaries.

The Company was organized in Bermuda in 1988 for the purpose of acquiring all of the assets, subject to the liabilities, of two limited partnerships (the Partnerships). The Partnerships and Nord Resources Corporation (Resources), a Delaware corporation owned the venture interests in Nord-Highlands Mineral Venture-I, a California joint venture (Nord-Highlands). On April 2, 1990, the Partnerships transferred all of their assets, subject to their liabilities, to the Company in exchange for common shares of the Company and Resources relinquished all rights it had in Nord-Highlands. The Partnerships then immediately dissolved and liquidated and distributed the shares of the Company to their respective limited partners. The Company, and its wholly-owned Bermuda subsidiary, Nord Gold Company Limited, own 100% of the interests in Nord-Highlands, which is the exploration and development arm of the Company in Australia, PNG and other areas of the South Pacific. All activities of the Company in the United States are carried out by Hicor Corporation, a wholly owned Delaware subsidiary. Exploration activities in Mexico are carried out by Compania Minera Nord Pacific de Mexico S.A. de C.V., a controlled Mexican subsidiary. The Company is currently owned approximately 28.5% by Resources.

In June 1998, the Company's shareholders approved the discontinuance of the Company from Bermuda and approved its continuance into the Province of New Brunswick, Canada. The effective date of the continuance was September 30, 1998.

The Company's principal offices are located at 40 Wellington Row, Suite 2100, Scotia Plaza, Saint John, New Brunswick, Canada, E2L 4S3, telephone number (506) 633-3800. The U.S. subsidiary of the Company, Hicor Corporation, maintains offices at 201 Third Street, NW, Suite 1750, Albuquerque, New Mexico 87102, telephone number (505) 241-5820.

The Company currently owns a 40% interest in the Girilambone Copper Mine which has been in production since May 1993 and a 50% interest in the Girilambone North Copper Mines which have been in production since July 1996. The Company also owns a 50% interest in the Tritton Copper Project (Tritton) and a 100% interest in the Tabar Islands Gold Project (Tabar), both of which are considered to be in the development stage, and various interests in certain exploration properties. The Company agreed to sell its 31.5% interest in the Ramu Nickel-Cobalt Project (Ramu) in November 1999, and closed the sale on March 10, 2000.

An independent technical review of the Company's mining and exploration properties, dated February 24, 1997, was prepared by Watts, Griffis and McOuat Consulting Geologists and Engineers, of Toronto, Canada, in connection with a public equity issue in Canada completed in July 1997. A feasibility study on Tritton, conducted by Ausenco of Brisbane, Australia, was completed in October 1998. Certain information contained in this report has been derived from these sources. Unless indicated otherwise, all amounts in this report are presented in US dollars.

Girilambone and Girilambone North Copper Mines, New South Wales, Australia

The Girilambone project consists of three separate joint ventures with Straits Mining Pty Limited (Straits). The Company has 40% and 50% interests in two mining joint ventures and a 50% interest in an exploration joint venture.

The Girilambone and Girilambone North Copper mines are located approximately 625km (390 miles) northwest of Sydney, New South Wales (NSW), Australia. The project area consists of mining leases, exploration licenses and surface rights owned by the Company and Straits. The mining leases are for terms of twenty-one years and expire on August 5, 2013 at Girilambone and on January 13, 2017 at Girilambone North. The exploration licenses are generally for terms ranging from two to five years and are renewable based upon compliance with certain conditions. The properties are accessed by paved highway from the town of Nyngan, NSW. Power is supplied by a private NSW power agency on commercial terms.

The Girilambone area lies toward the northern end of the Lachlan Fold Belt, a large region of Paleozoic rocks which can be traced from eastern Victoria to northern NSW. A substantial proportion of metal production by those states has been derived from this belt which hosts a number of significant base metal mines. In the mine area, the dominant rock types include quartzite and chlorite schists. Copper mineralization occurs within a quartzite horizon and in enclosing schists of the Ordovician Girilambone Beds. A leached oxidized ore zone lies over secondarily enriched chalcocite-dominated ore. This grades into a primary sulfide zone at depth.

The mineralization consists of malachite and copper oxide minerals in the oxidized upper part of the orebodies, malachite/chalcocite in the middle of the orebodies and chalcopyrite in the underlying primary sulfide zones. Native copper occurs in both the oxide and chalcocite zones.

The mines produce high purity cathode copper from open pits using heap leaching and the solvent extraction-electrowinning (SX-EW) process. Mine operations are managed by the Girilambone Copper Company, a joint venture company owned by the Company and Straits.

Construction of the Girilambone Copper Mine was completed in May 1993. Total capital costs including working capital were approximately \$26,000,000. The mine was originally designed to produce approximately 14,000 metric tonnes ("tonnes" = 2,204.60 pounds to a tonne) or approximately 31 million pounds of high purity copper each year for six years from inception. Subsequently, additional orebodies were discovered at Girilambone North and the reserves re-calculated, projecting a total estimated project life of eight years at higher production rates, as described below. The Girilambone Copper Mine involves open pit mining of oxide and chalcocite ores followed by crushing and stacking on leach pads and SX-EW processing.

In 1994, a Stage 1 plant upgrade was undertaken by the Company, which allowed the processing of greater volumes of heap leach solutions to provide more flexibility in achieving production goals. In 1995, the Company undertook a Stage 2 plant expansion. The expansion increased electrowinning capacity by 15% and included the construction of a third leach pad which allowed the Company to take advantage of seasonally higher-grade leach solutions. The water supply was also expanded.

In June 1996, following successful field tests, forced aeration of heaps containing chalcocite, the main copper sulfide ore, was introduced resulting in a significant increase in the rate of copper leaching. Largely as a consequence of heap aeration, copper production at Girilambone has increased significantly.

Copper production from Girilambone and Girilambone North in 1999 totaled 13,844 tonnes (30.5 million pounds), 21% less than the 17,565 tonnes produced in 1998, and 22% less than the 17,702 tonnes produced in 1997. Copper production is expected to continue to decline in 2000, as the remaining stockpiled ore will be placed on the heaps by April 2000, although leaching will continue for some time. Total copper production from both projects through December 31, 1999 was 96,269 tonnes.

Mining activities ceased at Girilambone's Murrawombie pit in July 1997, due to the exhaustion of ore reserves. Ore mined from Murrawombie continued under leach during 1999, with 4,305 tonnes of copper, or approximately 31% of the total, produced from those ores. Production is expected to continue from the Murrawombie ores in 2000.

Mining was carried out by the Girilambone North Mining Joint Venture at the North East, Hartmans and Larsens pits during 1999. Mining is expected to continue at the Larsens pit through March 2000, at which time the orebody will be depleted.

Estimated life-of-mine open-pittable, mineable copper ore reserves at Girilambone North at December 31, 1999 are shown in the following table. The combined proven/probable reserves were determined by Girilambone Copper Company. No metallurgical recovery factors have been applied.

Girilambone North Reserves			
Proven/probable reserves			
	Tonnes (million)	Copper grade %	Contained copper (thousand tonnes)
Total reserves	0.477	1.31	6.265

Ore from Girilambone North (Larsens East pit) is expected to be mined at a 0.4% copper cut-off. Heaps are expected to be leached to a residual and non-recoverable fixed copper grade of 0.15%. As a result, recoverable copper from the proven/probable reserves will be less than the contained copper amount disclosed above.

The heaps are estimated to contain 8,833,188 tonnes of ore under leach, containing an estimated 29,938 tonnes of copper. Stockpiles are estimated to contain an additional 4,253 tonnes of copper metal. The total copper contained in ore, heaps, stockpiles and in solution at December 31, 1999 is estimated to be 40,456 tonnes (89 million pounds), supporting operations into 2001.

In addition to copper ores, material containing low-grade gold mineralization has been mined and is being stockpiled separately for possible processing at a later date. At current gold prices, processing of this material is not economic.

Girilambone Financing Agreement

The Company had \$2,400,000 of debt outstanding at December 31, 1999 under a financing agreement with the Bank of Western Australia Ltd. (BankWest) which originally provided a \$10,000,000 facility to fund the Company's share of the development costs of the Girilambone Copper mine. The loan bears interest at Singapore InterBank Offered Rate (SIBOR) plus 1.5% (7.52% at December 31, 1999). This facility was required to be repaid quarterly beginning September 30, 1999, in installments equal to the greater of the amount required to reduce the outstanding amount in accordance with a schedule of maximum outstanding amounts at each repayment date or 50% of available cash flow. The facility terminates on June 30, 2000.

Under the agreement, all cash proceeds generated from Girilambone operations are required to be deposited with the lender to be used to pay any costs and expenses related to the project, bank fees, interest and principal and to fund a reserve account with the lender. Any remaining proceeds are available, at the lender's discretion, for use by the Company. As collateral on the loan, Bank West holds a security interest in the Australian assets of the Company including the Company's share of the assets of and production from the Girilambone and Girilambone North mines.

Copper Sales

The Company sells its copper production under contract through a marketing agent. In 1999 sales of \$10,752,145 were made under contract, primarily to two Australian consumers, Metal Manufactures Limited and Crane Enfield Metals Pty Ltd, at a price which is at a set premium to the prevailing London Metals Exchange price at the time the copper is delivered. The loss of either or both of these consumers should not have any material adverse effect on the Company because of the ongoing demand for the copper produced at Girilambone.

Copper Hedging Agreements

The Company has entered into swap agreements covering a total of 3,960,000 pounds of copper at a fixed cost of \$0.80 per pound, representing approximately 27% of the Company's share of budgeted production through December 31, 2000. Contracts totaling 331,000 pounds of copper are settled monthly. Upon settlement, the Company receives the difference between the fixed price and the current price of copper if the current price is lower, or the Company pays the difference if the current price is higher. As a result, the Company is assured of receiving a price of \$0.80 per pound for this hedged production.

Sales for the years ended December 31, 1999, 1998 and 1997 include \$403,000 of gains, \$1,616,000 of gains and \$54,000 of losses, respectively, that were realized in the settlement of copper hedging contracts.

Foreign Currency Forward Exchange Contracts

The Company has entered into forward exchange contracts to protect against Australian currency fluctuations related to payment of a portion of the expected operating costs of Girilambone. Realized and unrealized gains and losses on these contracts are included currently in the results of operations. For the year ended December 31, 1999, the Company recognized a gain of \$901,000 on these contracts compared to a loss of \$606,000 in 1998 and a loss of \$2,399,000 in 1997. Outstanding contracts at December 31, 1999 totaled \$9,450,000 at an average exchange rate of A\$1.00 = US\$0.742. The amounts maturing in 2000 are as follows: January, \$1,949,575; February, \$750,000; March, \$750,000; April, \$750,000; May, \$750,000; June, \$750,000; July, \$750,000; August, \$750,000; September, \$1,500,000; and October, \$750,000.

Girilambone Exploration

The Company and Straits each own a 50% interest in exploration licenses covering approximately 4,105 square kilometers surrounding the Girilambone and Girilambone North mines and beneath the Girilambone open pit.

Tritton Copper Project

The Tritton Copper Project (Tritton) is located twelve miles southwest of the Girilambone mine in north central rural New South Wales, Australia. The Tritton deposit is a sulphide copper deposit consisting mainly of massive pyrite and chalcopyrite. The deposit also includes minor amounts of gold and silver.

Tritton is owned 50% by the Company and 50% by Straits Mining Pty Ltd (Straits) (collectively "the Venturers") as part of the Company managed Girilambone Exploration Joint Venture (GEJV). On December 17, 1999, the Company agreed to acquire the 50% interest in Tritton currently held by Straits, subject to final documentation and approval of the Board of Directors of the Company. The consideration

to be paid Straits for their interest in the project is A\$9,000,000 (\$5,860,000 at the exchange rate prevailing on December 31, 1999) consisting of: a) A\$3,000,000 (\$1,954,000) payable on closing; b) A\$3,000,000 (\$1,954,000) payable in four semi-annual payments of A\$750,000 (\$488,000) commencing six months after closing; and c) A\$3,000,000 (\$1,954,000) payable in six annual installments of A\$500,000 (\$325,000) starting 12 months after the commencement of copper production.

Geology

The geology at Tritton comprises a moderately folded sequence of lower greenschist facies pelitic schists, mafic schists, shales, greywackes and quartzites. The ore body consists of two approximately tabular bodies of massive sulfide mineralization emplaced along a shear and in a brittle fracture within quartzite. Four higher grade thickened lenses of mineralization containing the majority of the ore resources in the two uppermost lenses, have been intersected in exploration drill holes.

Mineralogy

Tritton is a structurally controlled, sediment hosted, copper deposit. Two distinct and separate zones of mineralization, termed the "Upper Zone" and the "Lower Zone," are evident within the ore body. The principal minerals throughout the Tritton orebody are pyrite, chalcopyrite and quartz.

The Upper Zone mineralization is almost entirely hosted by the main quartzite unit. The sulphide is generally massive pyrite and chalcopyrite. A 30 metre thick, high-grade lens in the center of the Upper Zone contains banded and massive chalcopyrite with minor banded bornite and comprises the uppermost high-grade thickened lens. The massive sulphide in the Upper Zone has a weakly banded appearance with alternating pyrite and chalcopyrite rich layers.

The Lower Zone contains the remaining three higher-grade thickened lenses. It occurs structurally below the main quartzite unit and is generally hosted in a green crenulated chlorite sericite schist with moderate quartz veining. The Lower Zone mineralization differs from the Upper Zone, as it is generally not hosted by "quartzite". In general, the Lower Zone consists of massive sulphide at the top of the mineralization, banded sulfides centrally within the mineralization, and stringery chalcopyrite near the base of the mineralization.

Based on the ore mineralogy, there are no obvious variations within the Tritton orebody to indicate that different ore types exist other than the presence of bornite in the Upper Zone. The only obvious characteristic of the orebody is a gradual decrease in the copper head grade with depth, which is accompanied by an increase in the sulfur/copper ratio in the ore as the amount of copper mineralization decreases relative to pyrite.

Three exploration drilling programs were conducted on the Tritton deposit from 1995 through 1997. At the conclusion of these programs, a total of 40,549 metres of open-hole and reverse circulation pre-collar holes, 32,854 metres of NQ diamond drilling and 619 metres of NAVI drilling had been completed.

Mineral Resources

Snowden Associates Pty, Ltd (Snowden), independent mining industry and resource estimation consultants, have estimated the total resources at a 1% Cu cutoff grade to a depth of 1,030 meters below the surface as follows:

Resource classification	Tonnes (million)	Cu %	Au g/t	Ag g/t	Density t/m³
Measured	2.82	3.89	0.25	11.60	3.44
Indicated	3.07	2.90	0.24	10.50	3.35
Total measured and indicated	5.89	3.37	0.24	11.03	3.39
Inferred	4.99	2.28	0.18	10.50	3.36

Shortly after commencement of exploratory and resource drilling, evaluation of the deposit began. This evaluation included, among other activities, characterization of the ore, mineralogy, ore microscopy, metallurgical characteristics and testwork, environmental permitting and preliminary mining studies.

Feasibility Study

As a consequence of favorable results obtained during the preliminary work, a feasibility study was commissioned by the Venturers and was completed in 1998. This feasibility study was prepared by independent, third party consulting firms. Ausenco Ltd of Brisbane, Queensland (Ausenco), was responsible for the overall preparation and coordination of the study.

The Tritton mine is proposed to be developed by underground mining methods using ramp access to develop the Upper Zone of the deposit. Ore would be mined at a rate of 660,000 tonnes per annum (tpa) by retreat uphole benching and room and pillar methods. Ore would be trucked to the surface, crushed, milled in a grinding circuit and processed in flotation cells for the recovery of a marketable concentrate. Concentrates would be shipped to a smelter for sale. Economic results are based upon mineable reserves from the upper zones of the deposit. Additional resources below 1,030 meters are not included in these reserves, but were studied as part of a larger project (the Extended Case), which assumes that the Lower Zone resources will be converted to mineable reserves with additional drilling. The Extended Case anticipates that a shaft would be installed in the fourth year of production and that production at the mine would be increased to slightly more than one million tpa.

Reserves

The following reserves were estimated by Gemmel Mining Engineers, independent mining consultants. After applying dilution and mining recovery factors to the provided resource, along with estimated economic costs, the reserves have been estimated as follows:

Proven reserves:	2,498,000 tonnes at 3.51% Cu, 0.23 g/t Au, 10.4 g/t Ag
Probable reserves:	2,112,000 tonnes at 2.69% Cu, 0.24 g/t Au, 9.7 g/t Ag
Total reserves:	4,610,000 tonnes at 3.14% Cu, 0.23 g/t Au, 10.1 g/t Ag

Development and Mining Lease Applications

Advertisements for Native Title purposes and public objections were run on September 10, 1997. No Native Title claims or objections were lodged within the compulsory 60-day waiting period.

On June 29, 1998, the Company submitted a Development Application to the New South Wales Department of Urban Affairs and Planning (DUAP). The DUAP granted its consent to the development effective September 1, 1999.

A mining lease application (the MLA) was submitted to the New South Wales Department of Mineral Resources on August 8, 1998, commencing the official review process. The MLA covers an area of 14 km², sufficient to contain any likely extensions to the Tritton resource to 2,000 m below the surface. With the granting of the Development Application, the Company believes it has satisfied all of the conditions precedent to the granting of the mining lease, and that the lease will be granted at the time the Company makes a formal request, prior to commencing development.

Permitting and Approvals

Various approvals, including pollution control, pipeline road crossing and water licenses, will be required before any activities can commence at Tritton. The Company does not anticipate that it will encounter any major problems in obtaining the necessary operation permits and approvals.

The Tabar Islands Gold Project

The Tabar Islands, which include the islands of Simberi, Tabar, Tatau and Mapua, are located in PNG approximately 150 km north of Rabaul and 80 km northwest of Lihir Island, the site of a major gold deposit operated by Rio Tinto Ltd.

The Company holds an exploration license over these islands and a mining lease was granted in December 1996, over the eastern part of Simberi Island. The mining lease is for a twelve-year period expiring December 3, 2008 and the renewable exploration license is for a two-year period expiring May 5, 2001.

Over the past 15 years, approximately \$34,000,000 has been spent by the Company and its former co-venturers on exploration of the islands. Twenty-one prospects have been identified, of which seven, all located on Simberi Island, have been substantially drill tested.

In 1993, the Company acquired the interests of Kennecott and Niugini Mining for cash payments totaling A\$1,000,000 (US\$728,000). An additional A\$1,000,000 (US\$651,000 at the December 31, 1999 exchange rate) will be payable to them within two years after the issuance of a "Special Mining Lease" to the Company by the PNG government. A Special Mining Lease is issued on large projects of national importance. Further, Kennecott and Niugini Mining have the option to re-acquire 50% of the project if feasibility studies indicate that the production from the mine could total 150,000 ounces or more of gold annually. Exercise of the option would require payment to the Company of 250% of the Company's expenditures on the mine area from July 1994 to the date the option is exercised.

Geology

The Tabar Islands lie at the northwestern extremity of a belt of islands some 300 kilometers long, which include the Lihir, Tanga and Feni Island groups. They are comprised largely of alkaline and undersaturated volcanics, lavas, and intrusives. The chain becomes younger towards the south-east, with the oldest volcanics of Miocene age occurring on Simberi, the northern-most island and the youngest of Holocene age on Feni, the southern-most island in the chain. In the Tabar Islands, raised Quaternary coral reef platforms surround steep sided volcanic plateaus, particularly on Simberi and Tatau Islands. These plateaus are generally 120 to 300 metres above sea level and are often fringed by Miocene to Pliocene raised limestone reefs.

The epithermal gold prospects are developed in altered volcanoclastics and lavas, where the distribution of gold is structurally controlled. Gold occurs in both the oxide zone, which is generally in the order of 15 to 45 metres thick, and in the sulfide zone. The gold mineralization on Simberi Island is associated with

irregularly distributed breccia zones while on Tatau and Tabar Islands, gold is associated with structurally controlled quartz veining and is often accompanied by anomalous base metals.

A major exploration and drilling program was completed in 1997 aimed primarily at oxide and sulfide gold deposits on Simberi, and gold/copper targets on Tatau and Tabar Islands. Exploration in 1998 and 1999 was minimal with resource evaluation being the main priority.

In 1997 an exploration program consisting of geophysics, 15,800 metres of reverse circulation drilling and 5,500 metres of diamond core drilling was carried out.

Mineral Resources

In May 1998, revised resource estimates for Simberi resulting from this drilling program were released as follows:

Total Simberi oxide and sulfide resources			
Mineralization	Resource category	Million tonnes	Gold grade (grams/tonne)
Oxide	Measured and indicated	10.7	1.25
Oxide	Inferred	9.0	1.1
Sulfide	Inferred	9.3	2.5
Total		29.0	1.6

Based on these revised resource estimates, the Company engaged Snowden to identify new economic pit shells using Whittle pit optimization software and current economic parameters. The resulting seven pit shells contain proven and probable reserves of 4,776,000 tonnes of oxide ore grading 1.63 g/t Au, for a total of 250,156 ounces of gold.

This estimate is based upon a feasibility study (the Simberi Feasibility Study) of the development of the oxide resources completed in 1996 by Lycopodium Pty. Ltd. of Perth, Western Australia, which identified mineable oxide reserves of 217,800 ounces, updated for the results of additional exploration conducted in 1997.

The Company has relied on the Simberi Feasibility Study but has updated it by incorporating the new resources and by making relatively small changes to the development plan. This evaluation of the Simberi oxides projects a mine life in excess of six years producing approximately 40,000 ounces of gold per year at an average estimated cost of \$173/ounce. Estimated recovery from these reserves and resources is expected to be 91%. Capital costs to achieve production are estimated to be \$16.8 million.

During 1998 and 1999, exploration programs within the mining lease on Simberi Island were reduced and no drilling was undertaken.

Ramu Nickel-Cobalt Project

The Company announced that it had agreed to sell its 31.5% interest in the Ramu Nickel-Cobalt deposit to Orogen Minerals Limited (Orogen) on November 29, 1999. The sale closed on March 10, 2000. The Company received \$5.0 million at closing and is entitled to two additional payments of \$0.25 million upon the completion of financing and upon achievement of commercial production, respectively. The Company recognized a loss on the sale of approximately \$4.7 million which was recognized as of December 31, 1999. The sale will be reflected in the first quarter of 2000.

Other Exploration Properties - Canada and Mexico

Canada

In 1997, the Company entered into an agreement with Young-Shannon Gold Mines to earn up to a 65% interest in the Chester Gold Project, located north of Sudbury, Ontario. Due to the decline in gold prices experienced in 1997, development of this project has been delayed indefinitely and its carrying value was written off in 1997.

Mexico

The Company holds two exploration properties in Mexico and is continuing to evaluate the possible acquisition of precious and base metal properties. The carrying value of the properties was written off in 1999.

Risk Factors

Risk factors which may have a significant impact on the future performance of the Company or the value of its shares include:

Risks of Low-Priced Stocks

The Securities and Exchange Commission (the Commission) has adopted regulations which define a "penny stock" to be any equity security that has a market price (as therein defined) of less than \$5.00 per share, subject to certain exceptions. The following penny stock restrictions will not apply to the Company's common shares as long as certain price and volume information is provided on a current and continuing basis or while certain minimum net tangible assets or average revenue criteria are met.

For any transaction involving a penny stock, unless exempt from such restrictions, the rules require the delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Commission relating to the penny stock market. Disclosure is also required to be made about commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Previously, the Company's common shares had been exempted from the penny stock rules due to the Company's listing on the NASDAQ National Market. On May 3, 1999, the Company's shares were delisted from the NASDAQ National Market for the failure to maintain a closing bid price of at least \$1.00 in accordance with Marketplace Rule 4450 (a)(5) under Maintenance Standard 1. Currently, the Company meets the net tangible assets and average revenue exemptions and is not subject to the penny stock rules.

In any event, even if the Company's common shares continue to be exempt from such restrictions, it will remain subject to Section 15(b)(6) of the Exchange Act, which gives the Commission the authority to prohibit any person engaged in unlawful conduct while participating in a distribution or penny stock from associating with a broker-dealer or participating in a distribution of penny stock, if the Commission finds that such a restriction would be in the public interest. If the Company's common shares were to become subject to the existing rules on penny stocks, the market liquidity for the Company's common shares could be severely adversely affected.

The Company's common stock continues to be traded on the Toronto Stock Exchange and began trading on the OTC Bulletin Board upon being delisted from the NASDAQ National Market.

Risk of Mineral Exploration and Development

As the primary business of the Company is the exploration for and commercial development of base and precious metals and other minerals, it is subject to the substantial risks inherent in such activities.

Competition, Markets and Regulations

The mineral industry is extremely competitive. The ability of the Company to develop its projects will depend on obtaining additional financing and on other factors beyond its control.

World market prices for precious metals and copper are subject to many variables and may fluctuate widely, depending upon world supply and demand and on international economic and political factors. Revenues that the Company may receive for the minerals from any existing projects or from any future mineral discoveries are uncertain and no assurance can be made that prices will be sufficient to warrant commencement or continuation of commercial exploitation.

The Company has in place certain price protection agreements covering a portion of its share of production from the Girilambone and Girilambone North Copper Mines to reduce the impact of fluctuations in copper prices through September 2000. If copper prices decline significantly and remain low for an extended period of time after the expiration of the price protection agreements, the Company might, with the consent of its co-venturer, curtail or suspend copper production and sales from Girilambone and Girilambone North.

As the Company has interests in Australia, PNG, Canada and Mexico, its operations will be subject to regulations in these countries and could be adversely affected by unfavorable political developments in these countries. In some countries, precious metals and strategic minerals are sometimes considered to be national assets which may cause impediments to mining operations. It is possible that the Company's assets could be expropriated by governments and that the compensation received, if any, may not reflect the true value of such assets. In addition, governmental regulations often require local participation in mining ventures, and the Company could be hindered in such countries if it is unable to obtain local investors for its operations. Changes to applicable environmental and safety regulations could restrict the Company's operations.

Political and Other Risks in PNG

The country of PNG comprises the eastern half of a large land mass north of Australia in the South Pacific. PNG was administered as a trust territory by Australia from the end of World War I until it became independent in 1975. The economy of PNG is based largely on minerals, petroleum, coffee, timber and Australian economic aid. PNG has pro-western (particularly Australian) ties and democratic elections. However, PNG is a third world country and any investment is subject at any time to the potentially volatile effects of political instability and economic uncertainty prevalent in such countries, including civil strife and expropriation, excessive taxation and other forms of government interference. PNG has experienced episodes of civil unrest and breakdowns in law and order in certain locations in the past few years. In the

North Solomons Province of PNG such activity led to the closure of the large Panguna (Bougainville) copper-gold mine in 1990 which has not reopened. Other projects on mainland PNG have experienced brief closures due to violence. The Company, however, is not aware of any such problems in areas where it is conducting exploration.

Foreign Exchange Risks

The Company has mining and exploration operations in several countries. As a consequence, the Company's revenue and costs will be affected by fluctuations in currency rates. The Company has certain forward currency exchange contracts in place in conjunction with its Girilambone Copper Project borrowings intended to minimize the effect of certain of these fluctuations. These contracts mature progressively but any contracts not utilized can be rolled forward until such time as the Company elects to utilize them.

Uninsured Risks

Exploration for and development of mineral deposits involve hazards which could result in the Company incurring losses and liabilities to third parties. The Company is not insured against all losses or liabilities that could arise from its operations either because insurance is unavailable or because the premium cost is excessive. If the Company incurs uninsured losses or liabilities, the funds available for exploration and development will be reduced and the Company's assets may be jeopardized. However, the Company has insured many of its operational risks.

Additional Financing Required

The Company will need additional financing to commercially develop properties including Tritton and Tabar. There can be no assurances that such additional financing will be available in the amounts and at the time necessary to continue exploration on or development of a specific property.

Borrowing Risks

Interest charges on borrowings incurred by the Company may fluctuate because of many factors. High interest rates could have an adverse effect on the Company's operations.

Employee Risks

The Company is generally non-unionized and the majority of its employees are employed under contract or, in the case of seasonal field activities, under short-term contract or as casual labor. Approximately 35-40% of staff employed at the Company's Girilambone operations is unionized, all under one union. There have been no labor disputes since mining operations began in 1992, and a new one-year labor agreement was finalized in 1999 with a nominal expiration date of July 16, 2000. The Company's history of labor relations is excellent and management believes the risk of material adverse effect due to labor unrest is minimal.

Title to Properties

With respect to most properties, the Company must expend certain amounts annually in exploration or development (which amounts are subject to periodic re-negotiations) as a condition to retaining title. Conditions imposed by licenses and mining legislation must also be complied with. Consequently, the Company could lose title to one or more properties or portions thereof if license conditions are not complied with or if sufficient funds are not available to meet annual expenditure requirements.

In PNG, proceedings were initiated in the National Court regarding the constitutional validity of the Mining Act Chapter 195 which, *inter alia*, provided that minerals are the property of the State. These proceedings have been discontinued. Should the PNG Supreme Court consider the constitutional questions at some future time it is possible that it could result in mining leases and other tenements in PNG being invalid,

such that challenges could be mounted as to their existence. Management believes that such proceedings are unlikely to be re-instituted.

Mining in Australia

Mineral commodities are a major Australian export industry and mining is generally encouraged by both federal and state governments, as long as environmental guidelines are followed. Ownership of minerals is generally vested in the state. The individual states and territories of Australia establish and administer their own mineral policies. The states and territories have the right to impose mineral royalties, being typically several percent of the salable value of the mineral.

The various state and territorial governments administer exploration and development through ministerial departments. Exploration licenses (giving the licensees the right to explore but not develop and mine minerals) are typically granted for two years, with renewals requiring increased expenditure and partial relinquishment of ground. A person or company can lodge an application for an exploration license if the ground is not held by others and if they have the technical and financial resources to meet the proposed work program. Foreign ownership restrictions generally do not apply to exploration activities.

Development and mining of minerals requires granting of a mining lease. The procedures and time taken to gain a mining lease vary considerably between the states and territories. In general however, the basis for the granting of a mining lease is demonstration by the applicant that the exploration resource can be economically mined and that operations will comply with environmental guidelines. Foreign investment guidelines must also be satisfied in the granting of mining leases where certain capital threshold amounts are exceeded. Currently the threshold for mining projects is A\$50 million. The foreign investment guidelines generally require 50% Australian ownership, however this can be negotiated or waived. There are no restrictions on repatriation of foreign company income and it is not the policy of Australian governments to take an equity interest in mining developments.

Australia taxes trading profits (including trust profits distributed to corporate beneficiaries) and capital gains at the rate of 36%. Sales of mining rights acquired by a prospector before August 20, 1996 can be exempt from tax up to the market value as at that date, and sale or joint venture by the Company of particular exploration licenses or mining leases may qualify for that exemption, depending upon the circumstances. Australia also has a 10% withholding tax upon the payment of interest and a withholding tax on royalties or dividends paid out of untaxed profits to a non-resident which varies from 10% to 30%, depending upon the country and the type of payment.

Mining in Papua New Guinea

PNG is a constitutional democracy and has a comprehensive mining law and tax code. The PNG Mining Act is based on the premise that minerals in the ground are the property of the State. Exploration and development of minerals requires approval of the PNG Government and are administered by the Department of Mineral Resources. Prospecting rights are obtained through application to the PNG Government for an Exploration License which, if granted, is valid for two years and obligates the holder to commit to a work plan and expenditure schedule. For large projects, prior to development of a major minerals project, a Mining Development Contract must be negotiated with the PNG Government which sets forth details as to the administration of the mining operation, specific proposals committing the developer to construction of facilities and implementing the operation. If the PNG Government subsequently approves a Proposal for Development, a Special Mining Lease is granted and the Mining Development Contract is signed, allowing the development to proceed with the plans set forth in the proposal. A failure to meet the stated commitments in the mining proposal can result in termination of a Special Mining Lease and the forced sale to the PNG Government of plant and equipment at its depreciated value. For smaller mining projects a general Mining Lease may be granted for a term of up to 21 years. Under the Mining Act the government reserves the right to take a participating interest up to 30% in such projects. Local landowner participation is strongly encouraged by the government.

PNG has consistently encouraged exploration for and development of minerals. Development of major mineral projects is affected by two major considerations, namely (1) taxation and royalties and (2) the Government's entitlement to have an equity interest in mineral projects. It is a long-standing PNG Government policy to acquire an option to purchase an equity interest in new major mining ventures; in practice this interest has not exceeded 30% in major mining ventures. The maximum participation by the PNG Government in any particular project, and the terms under which its interest may be obtained, are negotiable and are usually negotiated prior to the issuance of the Special Mining Lease. The PNG Government is not obligated to commit to the exact extent of its participation until a Special Mining Lease is granted. At the present time the PNG Government does not own an interest in any project in which the Company has an interest.

Mining development projects in PNG may be undertaken by PNG corporations, foreign corporations or by PNG or foreign corporations participating in an unincorporated joint venture. The PNG income tax rate for mining companies is currently 35% for PNG corporations (operating on a Special Mining Lease) and 48% for foreign corporations, but accelerated deductions for capital and exploration expenditures are allowed and special tax relief may be granted during the initial years of mining. The government also imposes on Special Mining Leases an additional profits tax at the rate of 35% on after-tax cash flow when the rate of return exceeds 20% or, at the operator's one-time option, 12% plus the average US prime rate. The rate of tax for resident companies on a general mining lease (which applies to smaller mining projects) was reduced to 25% from January 1, 1996. The dividend withholding tax rate is 17% for resident companies. PNG does not have a capital gains tax.

The Government has introduced a 10% value added tax (VAT) effective July 1, 1999, and a levy of 4% for the mining industry. As a mining and exploration company, the Company is entitled to a refund of any amounts paid under the VAT. The 4% mining levy will be computed under a detailed formula that is intended to achieve a tax neutral outcome arising from the tariff reforms undertaken in conjunction with the introduction of the VAT.

Environmental Liabilities

At December 31, 1999, the Company had reserves of approximately \$133,000 for remediation of certain Australian and Papua New Guinea sites and other environmental costs in accordance with its policy to record liabilities for environmental expenditures when it is probable that obligations have been incurred and the costs reasonably can be estimated. The Company's estimates of these costs are based upon currently available facts, existing technology, and presently enacted laws and regulations. Where the available information is sufficient to estimate the amount of liability, that estimate has been used; where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used.

The amounts of these liabilities are very difficult to estimate due to such factors as the unknown extent of the remedial actions that may be required and, in the case of sites not owned by the Company, the unknown extent of the Company's probable liability in proportion to the probable liability of other parties.

Glossary of Technical Terms:

chalcocite	– a copper sulfide mineral.
chalcopyrite	– a copper iron sulfide mineral.
cutoff grade	– the grade at which the value of the recoverable metal contained in each tonne of ore meets the cost of recovering that metal. Cutoff grades can also be chosen to achieve certain economic requirements or to meet certain product grade or quality requirements in the ores or minerals produced.
indicated resource	– the estimated quantity and grade of part of a mineralized body for which the continuity of grade, together with the extent and shape, is so well established that a reliable grade and tonnage estimate can be made for a deposit of potential merit.
inferred resource	– the estimated quantity and grade of a mineralized body, or a part thereof, that is determined on the basis of limited sampling, but where there is sufficient geological information and a reasonable distribution of metal values to outline a deposit of potential economic merit.
leaching	– a dissolution of mineral components from ore by appropriate chemicals.
laterite	– a naturally leached iron and aluminum rich rock, formed at the surface by weathering in tropical conditions.
malachite	– a green hydrated copper carbonate mineral.
measured resource	– resource intersected and tested by drill holes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known.
Ordovician	– a geological period within the Paleozoic Era.
ore	– material which can be mined and/or treated at a profit.
oxidized zone	– zone in which sulfides have been altered to oxides by surface waters.
Paleozoic	– an era of geological time, from 245- 570 million years ago.
probable reserve	– for which quantity and grade and/or quality are computed from similar to that used for proven reserves, but the sites for, information and a reasonable distribution of metal values are farther or are otherwise less adequately spaced. The degree of assurance, lower than that of proven reserves, is high enough to assume between points of observation.
proven/probable reserve	– if the difference in degree of assurance between proven and probable cannot be reliably defined.
proven reserve	– reserves for which quantity is computed from dimensions revealed in outcrops, trenches, workings of drill holes; grade and/or quality are computed from results of detailed samplings; and the sites for inspection, sampling measurement are spaced so closely and the geologic character so well defined that size, shape, depth and mineral content of reserves well established.
quartzite	– a compact siliceous rock formed of silica of sedimentary origin.
reserve	– part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
resource	– an identified in-situ mineral occurrence from which minerals may be recovered.
schist	– a medium to coarse grained metamorphic rock with sub-parallel orientation of micaceous minerals.
sulfide	– a mineral compound characterized by the linkage of sulfur with a metal.

ITEM 3. LEGAL PROCEEDINGS

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON SHARES AND RELATED SHAREHOLDER MATTERS

Market Information

The Company's common shares are traded on The Toronto Stock Exchange (TSE) under the symbol "NPF". The Company shares were traded on the National Association of Securities Dealers Automated Quotation (NASDAQ) system under the symbol "NORPF" until May 3, 1999 and thereafter on the NASDAQ OTC Bulletin Board.

Following is the quarterly range of stock prices for the Company's common shares as reported by The Toronto Stock Exchange (the TSE) for 1999 and 1998. Per share amounts are reported in Canadian dollars.

1999 (C\$)	High	Low
1 st Quarter	1.10	.75
2 nd Quarter	.95	.70
3 rd Quarter	1.00	.72
4 th Quarter	1.05	.25
1998 (C\$)	High	Low
1 st Quarter	4.35	3.00
2 nd Quarter	4.25	3.30
3 rd Quarter	3.08	1.10
4 th Quarter	1.75	.85

The following is the quarterly range of sales prices for the Company's common shares as reported by NASDAQ for 1999 and 1998. The quotations reflect interdealer prices, without retail mark up, mark down or commission and may not necessarily represent actual transactions.

1999 (US\$)	High	Low
1 st Quarter	7/8	31/64
2 nd Quarter	11/16	29/64
3 rd Quarter	13/16	7/16
4 th Quarter	47/64	1/4
1998 (US\$)	High	Low
1 st Quarter	3 1/8	2
2 nd Quarter	3 1/8	2 1/16
3 rd Quarter	2 1/4	9/16
4 th Quarter	1 5/16	9/16

Dividends

There were no dividends declared or paid in 1999 or 1998 and dividends are not anticipated in the near future. The Company intends to retain earnings to support current operations, to fund exploration and development projects and to repay bank loans.

Shareholders

As of March 31, 2000, the approximate number of shareholders of record of the Company's common shares was 315.

ITEM 6. SELECTED FINANCIAL DATA

Statement of Operations Data	Year ended December 31				
	1999	1998	1997	1996	1995
	(In thousands, except per share amounts)				
Sales	\$ 10,752	13,807	16,328	16,178	14,074
Costs and expenses:					
Cost of sales	12,827	10,251	8,696	8,969	7,664
Abandoned and impaired projects	4,750	96	14,293	191	352
General and administrative	2,305	2,941	3,827	3,615	3,022
Total costs and expenses	19,882	13,288	26,816	12,775	11,038
Operating earnings (loss)	(9,130)	519	(10,488)	3,403	3,036
Other income (expenses):					
Interest and other income (expense), net	(149)	233	357	161	448
Interest expense and amortization of debt issuance costs	(302)	(272)	(371)	(406)	(604)
Copper contracts gains (losses)	—	—	372	(304)	—
Foreign currency forward exchange contract gains (losses)	901	(606)	(2,399)	497	(279)
Foreign currency transaction gains (losses)	(323)	(589)	502	(114)	(378)
Total other income (expense)	127	(1,234)	(1,539)	(166)	(813)
Earnings (loss) before income taxes	(9,003)	(715)	(12,027)	3,237	2,223
Income taxes	(1,281)	(740)	2,300	2,620	1,120
Net earnings (loss)	\$ (1,722)	25	(14,327)	617	1,103
Basic earnings (loss) per common share	\$ (.60)	—	(1.31)	.06	.12
Diluted earnings (loss) per common share	\$ (.60)	—	(1.31)	.06	.10
Dividends paid per share	\$ —	—	—	—	.05
Weighted average shares outstanding – basic	12,961	12,961	10,935	10,053	9,559
Weighted average shares outstanding – diluted	12,961	12,961	10,935	11,687	10,705
Balance Sheet Data					
(at year end)					
Working capital (deficiency)	\$ (6,343)	(1,303)	(1,139)	(3,088)	(60)
Total assets	29,961	39,403	40,397	39,741	34,666
Indebtedness	2,400	3,000	2,861	5,981	5,430
Shareholders' equity	17,617	25,339	25,256	24,209	23,460
U.S. GAAP Data					
Sales	\$ 10,752	13,807	16,328	16,178	14,074
Net income (loss)	(10,732)	(73)	(3,304)	617	1,103
Income (loss) per share	(.83)	—	(.30)	.06	.12
Shareholders' equity	9,166	19,898	18,334	24,209	23,460

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Safe Harbor Statement under the Private Securities Litigation Act of 1995. The statements contained in this report which are not historical fact are "forward looking statements" that involve various important risks, uncertainties, and other factors which could cause the Company's actual results for 1999 and beyond to differ materially from those expressed in such forward looking statements. These important factors include, without limitation, the risks and factors set forth herein as well as other risks previously disclosed in the Company's securities filings.

Results of Operations

December 31, 1999 compared to December 31, 1998

The Company recorded a net loss of \$7,722,000 for the year ended December 31, 1999 compared to net earnings of \$25,000 in 1998. The loss was attributed primarily to a \$4,679,000 writedown of the value of the Company's interest in the Ramu Nickel-Cobalt mine, which was sold in March 2000, and to an operating loss at the Company's Girilambone copper mine.

Copper sold during 1999 totaled 14,465,000 pounds, a 9.2% decrease from 1998, when 15,922,000 pounds were sold. For the years ended December 31, 1999 and 1998, the Company received an average price of \$.72 and \$.76 per pound of copper sold, respectively. The copper hedging programs established by the Company resulted in an increase in sales of \$403,000 in 1999 and \$1,616,000 in 1998. Including the impact of copper hedging programs, the Company realized a net average selling price of \$.74 for the year ended December 31, 1999 compared to \$.87 in 1998. Cost of sales per pound of copper increased to \$.89 for the year ended December 31, 1999 compared to \$.64 in 1998. The increase resulted primarily from the higher rate of amortization on copper production from the Girilambone North ore bodies, compounded by higher rates of copper production from those ore bodies compared to 1998, plus increased depreciation, depletion and amortization as the mine approaches the end of its production life.

The provision for abandoned and impaired properties increased to \$4,750,000 for the year ended December 31, 1999 from \$96,000 in 1998. The value of the Company's interest in Ramu was written down by \$4,679,000 to its sale value, and the carrying value of the Company's Mexican exploration properties was reduced to nil, a writedown of \$71,000. The Company wrote off exploration costs of \$96,000 in Mexico in 1998.

General and administrative expenses decreased for the year ended December 31, 1999 to \$2,305,000 from \$2,941,000 in 1998, primarily due to decreases in salaries, public relations and consulting costs and other overhead charges.

Interest and other income and expenses decreased for the year ended December 31, 1999 compared to 1998 due to reduced funds available for investment plus expenses related to the sale of Ramu. Interest expense and amortization of debt issuance increased slightly in 1999 from 1998 due to higher debt balances outstanding. Fluctuations in gains and losses from foreign currency forward exchange contracts and from foreign currency transactions are primarily a result of changes in the relative strength of the Australian dollar compared to the United States dollar. The Australian dollar ended 1999 stronger against the U.S. dollar.

The deferred tax benefit of \$1,281,000 in 1999 includes a statutory tax provision of \$3,151,000 offset by a provision of \$750,000 for the expiration of exploration cost carryforwards and by \$718,000 attributable to a change in the valuation allowance for deferred tax assets. The 1998 deferred tax benefit of \$740,000

includes an adjustment of deferred taxes provided for in prior years in Australia, offset by a provision of \$510,000 attributable to income generated in Australia. Operating losses incurred in other taxing jurisdictions cannot be used to offset taxable income generated in Australia.

December 31, 1998 compared to December 31, 1997

The Company recorded net earnings of \$25,000 for the year ended December 31, 1998 compared to a net loss of \$14,327,000 in 1997. Copper sold during 1998 totaled 15,922,000 pounds, a 2% increase over 15,600,000 pounds of copper sold in 1997. For the years ended December 31, 1998 and 1997, the Company received an average price of \$.76 and \$1.05 per pound of copper sold, respectively. The copper hedging programs established by the Company resulted in an increase in sales of \$1,616,000 in 1998 compared to a decrease of \$54,000 in 1997. Including the impact of copper hedging programs, the Company realized a net average selling price of \$.87 for the year ended December 31, 1998 compared to \$1.05 realized in 1997. Cost of sales per pound of copper increased to \$.65 for the year ended December 31, 1998 compared to \$.56 in 1997. The increase resulted primarily from increased depreciation, depletion and amortization as the mine approaches the end of its production life.

The provision for abandoned and impaired properties decreased to \$96,000 for the year ended December 31, 1998 from \$14,293,000 in 1997. Due to the precipitous decline in gold prices during the fourth quarter of 1997, the Company's review of the Tabar Island Gold Project (Tabar) in PNG indicated that the full carrying value of Tabar was not recoverable at projected gold prices. The Company wrote down the value of this project by \$13,381,000 to its estimated fair value of \$4,275,000. The Company also wrote off the costs associated with gold projects in Canada (\$609,000) and Mexico (\$303,000). The Company wrote off exploration costs of \$96,000 in Mexico in 1998.

General and administrative expenses decreased for the year ended December 31, 1998 to \$2,941,000 from \$3,827,000 primarily due to decreases in salaries, public relations costs and overhead charges.

Interest and other income decreased for the year ended December 31, 1998 compared to 1997 due to reduced funds available for investment. Interest expense and amortization of debt issuance costs decreased as a portion of debt outstanding at the beginning of the year was repaid during 1998. Fluctuations in gains and losses from foreign currency forward exchange contracts and from foreign currency transactions are primarily a result of changes in the relative strength of the Australian dollar compared to the United States dollar. During 1998 and 1997, the Australian dollar weakened compared to the United States dollar. Other income included a gain of \$372,000 in 1997 resulting from an increase in the market value of copper contracts not designated as hedging instruments.

The deferred tax benefit of \$740,000 in 1998 includes an adjustment of deferred taxes provided for in prior years in Australia, offset by a provision of \$510,000 attributable to income generated in Australia. The deferred tax provision of \$2,300,000 in 1997 is attributable to income generated in 1997 from the Girilambone mining operations in Australia. Operating losses incurred in other taxing jurisdictions cannot be used to offset taxable income generated in Australia.

Liquidity and Capital Resources

Cash provided by operating activities was \$4,904,000 in 1999 compared to \$7,175,000 in 1998 and \$8,868,000 in 1997. The decrease in the current year was primarily the result of decreases in the Company's copper production and in the price realized for that production.

Cash used in investing activities included capital expenditures for property and equipment and exploration and development costs. Capital expenditures of \$5,000 in 1999, \$440,000 in 1998 and \$473,000 in 1997 primarily relate to additions to plant, mining and milling equipment at Girilambone. Capitalized deferred exploration and development costs in 1999 of \$1,235,000 primarily relate to costs incurred by the

Girilambone exploration joint venture. Capitalized costs in 1998 of \$6,726,000 related to costs incurred on the Ramu property and by the Girilambone joint venture. Capitalized costs in 1997 of \$10,720,000 include costs incurred at Ramu and by the Girilambone joint venture, as well as costs incurred at Tabar.

Cash provided by financing activities consists of borrowings under long-term bank financing agreements and from Resources, offset by repayments, and proceeds from the issuance of common shares.

In December 1998, the Company restructured its Girilambone financing agreement. The agreement requires that all cash proceeds generated from Girilambone mining operations be deposited in a cash collateral account with the lender and to be used to pay any operating costs and expenses, bank fees, interest and principal, and to fund a reserve account with the lender. Any remaining proceeds are then available at the lender's discretion for use by the Company. The lender, as collateral for the loan, holds a security interest in all of the Company's Australian assets including the Company's share of assets at and production from the Girilambone Mines. At December 31, 1999, the balance on the loan was \$2,400,000. Principal payments are payable quarterly at the greater of 50% of available cash flow, as defined, for the quarter ending on the relevant repayment date or the amount required to reduce the amount outstanding to \$1,100,000 on March 31, 2000 and to zero on June 30, 2000.

On December 12, 1997, the Company completed the sale of 600,000 shares of Common Stock to MRDC, a corporation wholly owned by the Government of Papua New Guinea. These shares were sold at a price of US\$4.50 (C\$6.40) per share and gross proceeds totaled US\$2,700,000 (C\$3,840,000). After payment of legal and issuance costs, net proceeds totaled US\$2,677,000.

On July 3, 1997, the Company closed its public stock offering in Canada for the sale of 2,460,000 units at 5.00 per unit. Each unit consisted of one share of the Company's common stock and one-half of one purchase warrant. Each whole purchase warrant entitled the holder to purchase one share of common stock at C\$9.00. In connection with the offering, the Company issued 225,000 warrants to the underwriter. Each of those warrants entitled the underwriter to purchase common shares at C\$6.90. Gross proceeds from the Canadian offering totaled \$12,300,000 (C\$16,974,000). After payment of commissions, legal fees and other associated costs, net proceeds totaled \$10,684,000 (C\$14,574,000).

In October 1996, Resources agreed to make available to the Company, at Resources' discretion, an operating loan of up to \$2,000,000, which was increased to \$4,000,000 in May 1997, payable upon demand and bearing interest at prime plus 1%. Funds advanced under the operating loan from October 1996 to June 1997 totaled \$3,748,000. Concurrent with the closing of the offering described above, the Company repaid \$2,000,000 to Resources and Resources agreed to convert the remaining \$1,748,000 balance due them to 349,549 Units at \$5.00 per unit.

The Company believes funds required for its ongoing overhead expenses will be available from cash provided by Girilambone mining operations. Should development proceed on the Tritton copper project or the Simberi Island gold project, the Company will be required to seek funds for such development through additional debt and/or equity financings. There can be no assurance that the Company will be able to obtain sufficient financing to develop these projects on terms acceptable to the Company. Should financing not be available on acceptable terms, the Company may attempt to sell a portion of its interest in these projects for cash or seek additional partners to assist in the development efforts.

ITEM 7A. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk, including the effects of adverse changes in commodity prices, foreign currency exchange rates and interest rates as discussed below.

Commodity Price Risk

The Company sells copper produced from its Girilambone mine in Australia. As a result, the Company's financial results are affected when the price of copper fluctuates. In order to protect the selling price of a portion of the production from the mine, the Company has entered into swap agreements covering approximately 27% of the Company's share of production from the mine for 2000. Under the terms of the swap agreements, the Company receives the difference between a fixed price of copper and the current market price of copper at the date of settlement if the current market price is lower. If the current market price is higher, the Company pays the difference. As of December 31, 1999 the Company had entered into swap agreements covering a total of 3,960,000 pounds of copper at a fixed price of \$.80 per pound. Swaps covering 331,000 pounds are scheduled to settle each month during 2000. Since the swap agreements are designated as hedges of anticipated copper sales, any gains or losses realized upon settlement of the swaps are included in sales when the hedged production is sold.

Foreign Currency Risk

A substantial portion of the operating costs of the Girilambone mine are incurred in Australian dollars. Since the functional currency of the Company's Australian operations is the US dollar, the Company is exposed to changes in the exchange rate between the US dollar and the Australian dollar. The Company has entered into foreign currency forward exchange contracts which are designed to protect against the effect of exchange rate fluctuations on a portion of the operating costs of Girilambone. Outstanding contracts at December 31, 1999 totaled \$9,450,000 at an average exchange rate of A\$1.00 = US\$0.742. The amounts maturing in 2000 are as follows: January, \$1,949,575; February, \$750,000; March, \$750,000; April, \$750,000; May, \$750,000; June, \$750,000; July, \$750,000; August, \$750,000; September, \$1,500,000; and October, \$750,000. Since these contracts relate to the foreign currency exchange risk of anticipated transactions, under current accounting standards, realized and unrealized gains or losses on these contracts are included currently in the results of operation. As of December 31, 1999, cumulative unrealized losses of \$1,150,000 have been recognized in the income statement and recorded as a liability.

Interest Rate Risk

The Company has long term debt outstanding of \$2,400,000 at December 31, 1999. The loan bears interest at the Singapore Interbank Offered Rate (SIBOR) plus 1 1/2% (7.52% at December 31, 1999). Principal payments are payable quarterly at the greater of 50% of available cash flow, as defined, for the quarter ending on the relevant payment date or the amount required to reduce the amount outstanding to \$1,100,000 at March 31, 2000 and to zero on June 30, 2000. Since the interest rate on the loan outstanding is variable and is reset periodically, the Company is exposed to interest rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements as of December 31, 1999 and 1998 and for each of the years in the three-year period ended December 31, 1999 follow.

Independent Auditors' Report

The Board of Directors
Nord Pacific Limited:

We have audited the accompanying consolidated balance sheets of Nord Pacific Limited and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nord Pacific Limited and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Canada.

Accounting principles generally accepted in Canada vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations for the years ended December 31, 1999 and 1998 and stockholders' equity as of December 31, 1999 and 1998, to the extent summarized in note 14 to the consolidated financial statements.

KPMG LLP

Denver, Colorado
April 5, 2000

Independent Auditor's Report

Board of Directors and Shareholders
Nord Pacific Limited:

We have audited the accompanying consolidated statements of operations, shareholders' equity, and cash flows of Nord Pacific Limited and subsidiaries (the Company) for the year ended December 31, 1997 (all expressed in U.S. dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the results of the operations and cash flows of the Company for the year ended December 31, 1997 in conformity with accounting principles generally accepted in Canada.

DELOITTE & TOUCHE
Chartered Accountants
Hamilton, Bermuda
March 20, 1998

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 1999 and 1998

(In thousands of U.S. Dollars)

Assets	1999	1998
Current assets:		
Cash and cash equivalents	\$ 102	1,416
Accounts receivable:		
Trade	950	1,384
Other, including joint venture partner	146	402
Inventories:		
Copper metal	260	191
Supplies	175	166
Prepaid expenses	79	87
Total current assets	1,712	3,646
Deferred costs associated with ore under leach, net of accumulated amortization of \$22,740 in 1999 and \$16,192 in 1998 (note 2)	8,228	9,413
Property, plant and equipment at cost less accumulated depreciation (note 3)	2,282	3,605
Deferred exploration and development costs:		
Girilambone, net of accumulated amortization of \$4,434 in 1999 and \$2,917 in 1998 (note 2)	2,045	3,527
Exploration and development prospects (note 4)	15,591	19,141
Other assets	103	71
	\$ 29,961	39,403

See accompanying notes to consolidated financial statements.

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 1999 and 1998

(In thousands of U.S. Dollars)

Liabilities and Stockholders' Equity	1999	1998
Current liabilities:		
Accounts payable:		
Trade	\$ 1,356	1,715
Affiliates	2,091	594
Accrued expenses	1,058	484
Current maturities of long-term debt (note 5)	2,400	600
Payable on foreign currency contracts (note 6)	1,150	1,556
Total current liabilities	<u>8,055</u>	<u>4,949</u>
Long-term liabilities:		
Long-term debt (note 5)	—	2,400
Payable on foreign currency contracts (note 6)	—	1,144
Deferred income tax liability (note 11)	4,019	5,300
Retirement benefits (note 12)	270	271
Total long-term liabilities	<u>4,289</u>	<u>9,115</u>
Stockholders' equity (notes 7 and 9):		
Common shares, no par value; unlimited authorized shares.		
Issued and outstanding 12,960,803 shares in 1999 and 1998	47,375	47,375
Accumulated deficit	(30,556)	(22,834)
Foreign currency translation adjustment	798	798
Total stockholders' equity	<u>17,617</u>	<u>25,339</u>
Commitments and contingent liabilities (notes 8, 12, 13 and 15)		
	<u>\$ 29,961</u>	<u>39,403</u>

See accompanying notes to consolidated financial statements.

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended December 31, 1999, 1998 and 1997

(In thousands of U.S. dollars, except share and per share amounts)

	1999	1998	1997
Sales (note 10)	\$ 10,752	13,807	16,328
Costs and expenses:			
Cost of sales (note 2)	12,827	10,251	8,696
Abandoned and impaired properties (note 4)	4,750	96	14,293
General and administrative:			
Nord Resources Corporation (note 7)	—	—	566
Other	2,305	2,941	3,261
Total costs and expenses	19,882	13,288	26,816
Operating earnings (loss)	(9,130)	519	(10,488)
Other income (expense):			
Interest and other income (expense), net	(149)	233	357
Interest expense and amortization of debt issuance costs	(302)	(272)	(371)
Foreign currency forward exchange contract gains (losses) (note 6)	901	(606)	(2,399)
Foreign currency transaction gains (losses)	(323)	(589)	502
Copper contracts gains (losses) (note 6)	—	—	372
Total other income (expense)	127	(1,234)	(1,539)
Earnings (loss) before income taxes	(9,003)	(715)	(12,027)
Income taxes (note 11)	(1,281)	(740)	2,300
Net earnings (loss)	\$ (7,722)	25	(14,327)
Earnings (loss) per common share	\$ (0.60)	—*	(1.31)
Weighted average common shares outstanding	12,961,000	12,961,000	10,935,000

* Less than \$.01 per share

See accompanying notes to consolidated financial statements.

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Consolidated Statements of Stockholders' Equity

Years ended December 31, 1999, 1998 and 1997

(In thousands of U.S. dollars, except shares)

	Common stock outstanding		Common shares subscribed	Additional paid-in capital	Accumulated deficit
	Shares	Amount			
Balance, December 31, 1996	9,515,654	\$ 476	—	31,467	(8,532)
Net loss	—	—	—	—	(14,327)
Exercise of options	35,600	2	—	153	—
Common shares issued in public offering, net of offering costs	2,460,000	123	—	10,561	—
Compensation relating to options issued to non-employees	—	—	—	110	—
Conversion of debt to common shares	349,549	17	—	1,731	—
Common shares subscribed	—	—	2,700	—	—
Compensation relating to options issued	—	—	—	(23)	—
Balance, December 31, 1997	12,360,803	618	2,700	43,999	(22,859)
Net earnings	—	—	—	—	25
Issuance of common shares subscribed	600,000	30	(2,700)	2,670	—
Costs related to common shares subscribed	—	—	—	(4)	—
Compensation relating to options issued to non-employees	—	—	—	62	—
Change in par value of common shares from \$.05 per share to no par value	—	46,727	—	(46,727)	—
Balance, December 31, 1998	12,960,803	47,375	—	—	(22,834)
Net loss	—	—	—	—	(7,722)
Balance, December 31, 1999	12,960,803	\$ 47,375	—	—	(30,556)

See accompanying notes to consolidated financial statements.

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 1999, 1998 and 1997

(In thousands of U.S. dollars)

	1999	1998	1997
Operating activities:			
Net earnings (loss)	\$ (7,722)	25	(14,327)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	1,328	1,573	1,148
Amortization	8,106	6,619	3,565
Abandoned and impaired properties	4,750	96	14,293
Compensation relating to stock options issued	—	62	110
Unrealized loss (gain) on foreign currency contracts	(1,550)	606	2,399
Foreign currency transaction gain	—	—	(502)
Deferred income taxes	(1,281)	(740)	2,300
Provision (credit) for retirement benefits	(1)	167	104
Derivative financial instruments	—	—	(372)
Change in assets and liabilities:			
Accounts receivable	690	(330)	146
Inventories	(78)	(16)	(9)
Other assets	(73)	—	—
Prepaid expenses	8	50	(42)
Accounts payable	203	823	(319)
Accrued expenses and other liabilities	524	(1,760)	374
Net cash provided by operating activities	4,904	7,175	8,868
Investing activities:			
Capital expenditures	(5)	(440)	(473)
Deferred exploration and development costs	(1,235)	(6,726)	(10,720)
Deferred costs associated with ore under leach	(5,363)	(5,117)	(4,023)
Net cash used in investing activities	(6,603)	(12,283)	(15,216)
Financing activities:			
Borrowing of long-term debt	400	1,521	2,981
Repayments of long-term debt	(1,000)	(1,383)	(5,153)
Advances on copper sales	50	—	—
Advances from Nord Resources Corporation, net	935	343	669
Issuance of common shares for cash	—	2,700	12,300
Costs associated with issuance of common shares	—	(4)	(1,735)
Stock options exercised	—	—	155
Net cash provided by financing activities	385	3,177	9,217
Effect of exchange rate changes on cash and cash equivalents	—	(4)	43
Increase (decrease) in cash and cash equivalents	(1,314)	(1,935)	2,912
Cash and cash equivalents – beginning of year	1,416	3,351	439
Cash and cash equivalents – end of year	\$ 102	1,416	3,351
Cash paid for interest	\$ 53	241	371
Non-cash transactions:			
Conversion of long-term debt due to Nord Resources Corporation into common stock (note 7)	\$ —	—	1,748
Common stock subscribed	\$ —	—	2,700

See accompanying notes to consolidated financial statements.

**NORD PACIFIC LIMITED
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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

(1) Summary of Significant Accounting Policies

(a) *Company Description and Basis of Presentation*

Nord Pacific Limited and its subsidiaries (collectively, the Company) are engaged in the production of copper and in the exploration for gold, copper, and other minerals in Australia, Papua New Guinea (PNG), and North America.

In June 1998, the Company's shareholders approved the discontinuance of the Company from Bermuda and approved its continuance into the Province of New Brunswick, Canada, effective September 30, 1998. As a Canadian Company, the Company is required to report its financial statements in accordance with generally accepted accounting principles in Canada. These principles differ in certain respects from those in the United States as described in Note 14.

(b) *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its 40% interest in the Girilambone copper property in Australia and its 50% interest in the Girilambone North Project (collectively Girilambone). The financial statements include the Company's proportionate share of the assets, liabilities and operations of Girilambone. All significant intercompany accounts and transactions are eliminated at consolidation.

(c) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) *Cash and Cash Equivalents*

The Company considers all investments with an original maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

(e) *Inventories*

Inventories are valued at the lower of cost (first-in, first-out method) or market.

(f) *Deferred Costs Associated with Ore Under Leach*

Costs at Girilambone incurred with respect to ore under leach are deferred and amortized using the units of production method over the remaining estimated reserves. The Company continually evaluates and refines estimates used to determine the amortization and carrying amount of deferred costs associated with ore under leach based upon actual copper recoveries and mine operating plans.

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

(g) *Property, Plant and Equipment*

Plant, mining and milling equipment at Girilambone is depreciated using the units-of-production method over the estimated remaining reserves. Furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets which range from two to five years.

(h) *Deferred Exploration and Development Costs*

All costs directly attributable to exploration and development are deferred. Costs related to producing properties are amortized using the units-of-production method over the estimated recoverable reserves. Deferred costs are carried at cost, not in excess of anticipated future recoverable value, and are expensed when a project is no longer considered commercially viable.

(i) *Impairment of Mining Properties and Projects*

Mining projects and properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Events or circumstances that may indicate that the carrying amount may not be recoverable include a significant decrease in current or forward commodity prices, a significant reduction in estimates of proven and probable reserves, and significant increases in operating costs, capital requirements or reclamation costs. If estimated future cash flows expected to result from the use of the mining project or property and its eventual disposition are less than the carrying amount of the mining project or property, an impairment is recorded to reduce the carrying amount of the mining project or property to its estimated net recoverable amount.

Impairments are generally assessed for each individual mining project, except where it is not practical to separately identify the net recoverable amount of related properties which are operated on a combined basis.

(j) *Debt Issuance Costs*

Professional fees and other costs relating to the issuance of debt are capitalized and amortized over the term of the related borrowings.

(k) *Foreign Currency Translation*

The functional currency for operations conducted in Australia is the U.S. dollar. Adjustments to monetary assets and liabilities denominated in Australian dollars as a result of changes in the exchange rate between U.S. dollars and Australian dollars are recognized currently in the statement of operations as foreign currency transaction gains and losses.

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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

(l) Financial Instruments

Gains and losses related to qualifying hedges of anticipated copper sales are deferred and recognized in the statement of operations as a component of sales at the settlement date. Option premiums paid are deferred until the date of settlement or expiration of the option.

Realized and unrealized gains and losses on foreign currency forward exchange contracts and other derivative financial instruments that do not qualify as hedges are recognized currently in the statement of operations. Unrealized gains or losses are included as assets or liabilities in the balance sheet.

(m) Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated based on the weighted average number of common shares outstanding adjusted for the dilutive effect of stock options and warrants outstanding. For the years ended December 31, 1999, 1998 and 1997, the assumed exercise of options and warrants was antidilutive and therefore not included in the weighted average shares computation.

(2) Girilambone

The Company is a 40% joint venturer in the Girilambone Copper Property and a 50% joint venturer in the Girilambone North Copper Property in Australia. In 1996, mining commenced in the Girilambone North Project area and the ore from this property is being processed through the existing Girilambone plant. Following is a condensed balance sheet of Girilambone and the corresponding amounts included in the Company's financial statements:

	Total Girilambone Joint Ventures		Amounts included in accompanying financial statements	
	December 31		December 31	
	1999	1998	1999	1998
Current assets	\$ 3,625	3,132	1,506	1,290
Deferred costs associated with ore under leach, net	16,456	19,290	8,228	9,413
Property, plant and equipment, net	4,450	7,356	1,816	2,981
Deferred exploration and development costs, net	5,751	9,673	2,045	3,527
Total assets	30,282	39,451	13,595	17,211
Current liabilities	(2,983)	(4,071)	(1,197)	(1,749)
Partners' equity	\$ 27,299	35,380	12,398	15,462
Company's share of equity	\$ 13,682	16,916		
Less elimination	(1,284)	(1,454)		
Net assets recorded by the Company	\$ 12,398	15,462		

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Notes to Consolidated Financial Statements

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The difference between the net assets of Girilambone and the Company's investment in Girilambone is being amortized using the units-of-production method as a reduction of depletion expense.

Debt incurred related to Girilambone is the separate responsibility of each venturer and is not included in the joint venture's financial statements. Copper production is distributed to each venturer based on their respective ownership interest. The sale of copper produced is the responsibility of each venturer. Cost and expense data related to the operation of the mine is as follows:

Year ended December 31,			
	1999	1998	1997
	(In thousands)		
Cost of copper sales:			
Total Girilambone	\$ 27,173	24,563	21,048
Included in financial statements	12,827	10,251	8,696
General and administrative:			
Total Girilambone	\$ 416	398	538
Included in financial statements	190	182	242

(3) Property, Plant and Equipment

			December 31,
			1999 1998
			(In thousands)
Land	\$	362	362
Plant, mining and milling equipment		9,373	9,439
Furniture and fixtures		722	708
		10,457	10,508
Less accumulated depreciation		(8,175)	(6,904)
	\$	<u>2,282</u>	<u>3,605</u>

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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

(4) Deferred Exploration and Development Costs

Deferred exploration and development costs by prospect are as follows:

	December 31,	
	1999	1998
	(In thousands)	
Ramu	\$ 5,250	9,519
Tabar Islands	4,886	4,355
Girilambone exploration area (including Tritton)	5,249	5,006
Other	206	261
	\$ 15,591	19,141

(a) Ramu

Through December 31, 1998 the Company owned a 35% interest in the Ramu Joint Venture (Ramu) which was formed to explore for nickel and cobalt in PNG. A feasibility study conducted in 1998 found that commercial production of nickel and cobalt would be economically feasible at Ramu.

During 1999, a third party exercised its right to acquire a 10% interest in the project by agreeing to fund its share of future development costs. Each of the joint venture partners' original interests were reduced proportionately.

In November 1999, the Company reached an agreement to sell its 31.5% interest in Ramu to an unrelated third party for \$5,250,000. The Company is also entitled to two additional payments of \$250,000 upon the completion of financing and upon achievement of commercial production. Upon execution of the agreement, the Company recognized an impairment charge of \$4,750,000 to reduce the carrying value of the property to the sales price. The sale closed in March 2000.

(b) Tabar Islands

The Company owns a 100% interest in a gold exploration project in the Tabar Islands (Tabar), north of PNG. On December 3, 1996, the Company was granted a mining lease to develop and operate a gold mine on Simberi Island. While the government of PNG will have no participating interest, if production commences, a royalty of 2% of sales will be payable to the government.

At December 31, 1997, the Company owed one of Tabar's former owners \$650,000 upon the issuance of a Special Mining Lease by the Government of PNG. In 1998, it was determined that a Special Mining Lease would not be issued. Accordingly, the Company eliminated the note payable with a corresponding credit to deferred exploration and development costs.

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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

Tabar's former owners have an option to reacquire 50% of the project if feasibility studies indicate that the project could produce 150,000 ounces or more of gold annually. If the option is exercised, the former owners would be required to pay to the Company 250% of its cumulative expenditures for mine development from July 1994 to the date the option is exercised.

Due to the precipitous decline in gold prices during the fourth quarter of 1997, the Company reviewed the carrying costs of and anticipated cash flows from the project to determine if it was impaired. The Company determined that future cash flows, based on estimated resources, were insufficient at projected gold prices to support the \$17,656,000 carrying value of the project. The Company therefore recorded a provision for impairment of \$13,381,000 at December 31, 1997 to reduce the carrying value of the project to its estimated net recoverable amount of \$4,275,000.

(c) *Girilambone Exploration Area*

The Company has a 50% interest in an exploration joint venture formed to explore areas adjacent to its Girilambone copper mine. Under the terms of the joint venture agreement the Company is required to fund its 50% share of exploration costs. Exploration efforts are continuing in the Girilambone exploration area to identify additional mineable reserves.

The Company is seeking additional financing to develop its properties. The Company cannot predict whether financing will be available to develop these properties and thus whether the deferred exploration and development costs will ultimately be recovered.

(5) Long-Term Debt

	December 31,	
	1999	1998
	(In thousands)	
Girilambone financing agreement	\$ 2,400	3,000
Less current maturities	<u>(2,400)</u>	<u>(600)</u>
Long-term debt	\$ <u>—</u>	<u>2,400</u>

The Girilambone financing agreement provided for borrowings of up to \$3,600,000. The loan bears interest at Singapore Interbank Offered Rates (SIBOR) plus 1-1/2% (7.52% at December 31, 1999). Principal payments are payable quarterly at the greater of 50% of available cash flow, as defined, for the quarter ending on the relevant repayment date or the amount required to reduce the amount outstanding to \$1,100,000 on March 31, 2000 and to zero on June 30, 2000. The agreement also contains certain debt coverage ratio requirements. As collateral for the loan, the lender has a security interest in the Australian assets of the Company, including the Company's share of assets of and production from Girilambone.

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December 31, 1999, 1998 and 1997

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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

Sales for the years ended December 31, 1999, 1998 and 1997, include gains of \$403,000, gains of \$1,616,000 and losses of \$54,000, respectively, that were realized in settlement of copper hedging contracts.

The Company has entered into swap agreements covering a total of 3,960,000 pounds of copper at a fixed price of \$.80 per pound, representing approximately 30% of the Company's share of budgeted production for 2000. Contracts totaling 330,000 pounds of copper are settled monthly. Upon settlement, the Company receives the difference between the fixed price and the current price of copper if the current price is lower, or the Company pays the difference if the current price is higher. As a result, the Company is assured of receiving a price of \$.80 per pound for this hedged production.

The following table summarizes the market value of the copper contracts determined based upon price quotes received from the counterparty to the agreements.

	<u>Notional amount</u>	<u>Strike price per pound</u>	<u>Fair value – asset (in thousands)</u>
At December 31, 1999:			
Swap contracts	3,960,000 pounds	\$.80	(295)
At December 31, 1998:			
Swap contracts	11,905,000 pounds	.75	737

(b) Foreign Currency Forward Exchange Contracts

The Company has entered into foreign currency forward exchange contracts to protect against Australian currency fluctuations related to payment of a portion of the expected operating costs of Girilambone. Since these contracts are not specifically identified with anticipated transactions, realized and unrealized gains and losses on these contracts are included currently in the results of operations. For the year ended December 31, 1999, the Company recorded realized and unrealized gains of \$901,000 compared to losses of \$606,000 and \$2,399,000 in 1998 and 1997, respectively. Outstanding contracts at December 31, 1999 totaled \$9,450,000 at an average exchange rate of A\$1.00 = US\$0.742. The amounts maturing in 2000 are as follows: January, \$1,949,575; February, \$750,000; March, \$750,000; April, \$750,000; May, \$750,000; June, \$750,000; July, \$750,000; August, \$750,000; September, \$1,500,000; and October, \$750,000.

(c) Counterparty Risk

The Company is exposed to credit risks in the event of nonperformance by the counterparties to the various agreements described above. The Company anticipates, however, that the counterparties will be able to fully satisfy their obligations under the agreements. The Company does not obtain collateral or other security to support financial instruments subject to credit risk.

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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

(7) Nord Resources Corporation

Nord Resources Corporation (Resources) owned approximately 28.5% of the outstanding common stock of the Company as of December 31, 1999 and 1998.

Accounts payable to affiliates includes amounts payable to Resources of \$1,378,000 and \$443,000 at December 31, 1999 and 1998, respectively. The balance at December 31, 1999 includes a note payable in the amount of \$750,000 due September 30, 2000 with interest payable at 10%. The remaining amounts payable to Resources are on open account and do not bear interest. These amounts represent amounts due under an agreement entered into with Resources in 1998 to share office space, administrative personnel and other expenses on a 50/50 basis. Subsequent to December 31, 1999 the note was repaid in full. Interest expense on the note for 1999 was \$18,000. Accounts payable to affiliates also include amounts payable to the Company's joint venture partner in Girilambone for operating costs of the mine.

In 1997, Resources provided certain services to the Company under a management agreement. Under the terms of the agreement, Resources was paid a monthly fee of \$7,000 and was reimbursed for all direct expenses incurred on behalf of the Company. Management believes that the costs that would have been incurred had the Company obtained such services on a stand-alone basis would have approximated the amounts paid to Resources. The total amount paid to Resources was \$566,000 for the year ended December 31, 1997.

In October 1996, the Board of Directors of Resources unanimously agreed to make available to the Company, at Resources' discretion, an operating loan payable on demand and bearing interest at the prime rate plus 1%. In June 1997, advances made to the Company by Resources, net of repayments, totaled \$3,747,745. In July and August 1997, the Company repaid \$2,000,000 of the amount outstanding. Concurrent with the closing of the Company's Canadian offering on July 3, 1997, Resources converted the remaining amount outstanding into 349,549 Units at \$5.00 per unit. Each Unit consisted of one share of common stock and one-half of one purchase warrant. The purchase warrants expired unexercised in 1998. Interest expense paid to Resources totaled \$114,000 for the year ended December 31, 1997.

(8) Operating Leases

The Company leases its office space and certain equipment under operating leases. Certain of the leases contain renewal options and escalation clauses. Minimum annual lease payments under non-cancelable operating leases for the years ended December 31 are as follows (in thousands):

2000	\$	140
2001		141
2002		142
2003		143
2004		79
Thereafter		11
	\$	<u>656</u>

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Rent expense for operating leases was \$144,082, \$112,433 and \$125,885 for the years ended December 31, 1999, 1998 and 1997, respectively.

(9) Shareholders' Equity

(a) Canadian Offering

On July 3, 1997, the Company closed its public stock offering in Canada. The offering consisted of the sale of 2,460,000 units, consisting of one common share and one-half of one purchase warrant. Each whole purchase warrant entitled the holder to purchase one share of common stock at C\$9.00. The Company also issued 225,000 warrants to the underwriter. Each warrant entitled the underwriter to purchase one share of common stock at C\$6.90 prior to July 3, 1998. All of these warrants expired unexercised on July 3, 1998. Gross proceeds from the offering totaled US\$12,300,000 (C\$16,974,000). The Company received net proceeds of US\$10,684,000 (C\$14,574,000) after payment of commissions, certain legal fees, and other related costs.

(b) Private Placement to Mineral Resources Development Company Pty, Limited (MRDC)

On December 12, 1997, the Company completed the sale of 600,000 common shares to MRDC, a corporation wholly owned by the Government of Papua New Guinea. These shares were sold at a price of US\$4.50 (C\$6.40) per share and gross proceeds totaled US\$2,700,000 (C\$3,840,000). After payment of certain legal and issuance costs, net proceeds were US\$2,677,000.

(c) Stock Option Plans and Other Option Grants

The Company has established three incentive stock option plans, the 1989 Stock Option Plan, the 1991 Stock Option Plan and the 1995 Stock Option Plan (the Plans) for the benefit of employees and directors of the Company. The Company has also granted options which are not governed by the terms of the Plans (the Non-Plan Options). At December 31, 1999, Non-Plan Options covering 787,000 shares have been granted to officers and Directors of the Company and are outstanding. During 1998 and 1997, Non-Plan Options covering 49,000 and 53,000 shares, respectively, were issued to certain consultants to the Company.

Options are granted at an exercise price equal to or in excess of the quoted market price on the date of the grant. Options are generally exercisable beginning six months to three years from date of grant and expire over a five to ten year period from date of grant. At December 31, 1999, 104,080 shares are available for future option grants under the terms of the Plans.

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A summary of the status of the Company's outstanding stock options as of December 31, 1999, 1998 and 1997 and changes during the years then ended follows:

	1999		1998		1997	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of year	2,299,998	\$ 3.92	1,924,678	\$ 4.26	1,664,200	\$ 4.05
Granted	—	—	499,000	2.68	296,078	5.47
Exercised	—	—	—	—	(35,600)	4.34
Forfeited	<u>(276,000)</u>	4.38	<u>(123,680)</u>	4.38	—	—
Outstanding at end of year	<u>2,023,998</u>	3.86	<u>2,299,998</u>	3.92	<u>1,924,678</u>	4.26
Options exercisable at year-end	<u>1,888,998</u>	<u>3.95</u>	<u>1,923,998</u>	<u>4.04</u>	<u>1,574,800</u>	<u>4.10</u>

The following table summarizes information about stock options outstanding at December 31, 1999:

Exercise prices per share	Options outstanding	Weighted average contract life (years)	Options exercisable
\$ 2.41	100,000	3.42	50,000
2.54	216,000	1.02	216,000
2.75	383,000	4.99	292,000
3.91	36,000	2.25	36,000
4.00	362,000	0.12	362,000
4.26	272,800	3.95	272,800
4.38	84,000	4.26	84,000
4.50	309,120	1.09	309,120
4.80	12,000	4.03	12,000
5.25	111,078	5.72	111,078
5.69	<u>150,000</u>	<u>1.75</u>	<u>150,000</u>
\$ 2.41-5.69	<u>2,035,998</u>	3.85	<u>1,894,998</u>

(d) Stock Bonus Plan

The 1990 Stock Bonus Plan provides for the issuance of up to 80,000 common shares as incentive bonuses. At December 31, 1999, 76,193 shares have been awarded and 3,807 shares are available for future awards.

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

(10) Significant Customers

Sales in 1999 included copper sales to two customers of \$7,246,000 and \$1,551,000. Sales in 1998 included copper sales to two customers of \$8,026,000 and \$3,051,000. Sales in 1997 included copper sales to three customers of \$8,277,000, \$2,991,000 and \$2,507,000. Management does not believe that the loss of any of these customers would have a material adverse effect on the Company.

(11) Income Taxes

Income tax expense (benefit) consists entirely of future income taxes payable in Australia. These amounts differ from the amounts computed by applying the U.S. statutory income tax rate of 35% to consolidated income (loss) before income tax expense as a result of the following:

	Year ended December 31,		
	1999	1998	1997
Income taxes (benefit) at statutory rate	\$ (3,151)	(250)	(4,060)
Foreign income taxes at effective rates in excess of the U.S. statutory rate	112	14	(98)
Change in the valuation allowance for deferred tax assets	718	(176)	4,266
Non-deductible losses of subsidiaries	113	233	1,832
Expiration of exploration cost carryforwards in Papua New Guinea	750	—	—
Adjustment of deferred taxes provided for in prior years in Australia	—	(1,250)	—
Other	177	689	360
Total	\$ <u>(1,281)</u>	<u>(740)</u>	<u>2,300</u>

**NORD PACIFIC LIMITED
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Notes to Consolidated Financial Statements

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The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities for Australia, the United States, Papua New Guinea and Mexico are as follows:

	December 31,	
	1999	1998
	(In thousands)	
Australia:		
Future income tax liabilities:		
Deferred leach costs	\$ (2,962)	(3,389)
Exploration and development costs	(977)	(1,626)
Plant, property and equipment	(52)	(245)
Other	(28)	(40)
Total Australia	\$ <u>(4,019)</u>	<u>5,300</u>
United States:		
Future income tax asset – net operating loss carryforwards	1,492	1,518
Valuation allowance	(1,492)	(1,518)
Total United States	\$ <u>—</u>	<u>—</u>
Papua New Guinea:		
Future income tax assets:		
Net operating loss carryforwards	\$ 1,438	—
Exploration cost carryforwards	5,058	5,802
Valuation allowance	(6,496)	(5,802)
Total Papua New Guinea	\$ <u>—</u>	<u>—</u>
Mexico:		
Future income tax asset – net operating loss carryforwards	\$ 775	725
Valuation allowance	(775)	(725)
Total Mexico	\$ <u>—</u>	<u>—</u>

A valuation allowance has been provided for all of the Company's net future income tax assets in the United States, Papua New Guinea and Mexico based on the history of operating losses for the Company in these countries and limitations on the use of the carryforwards. The Company's operations in Canada are not significant.

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Notes to Consolidated Financial Statements

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(12) Pension Plans

The Company has a defined contribution pension plan covering certain employees of its Australian operations. Under the terms of the plan, the Company contributes an amount equal to 10% of the employee's wages. Pension costs were \$41,000, \$38,000 and \$48,000 for the years ended December 31, 1999, 1998 and 1997 respectively.

The Company has an unfunded non-contributory defined benefit program for two of its executive officers. Under the terms of the program for one of the executive officers, the Company is obligated to pay a lump sum benefit that matches the difference, if any, between the present value of the executive's retirement benefit and the cash surrender value of an insurance policy owned by the executive at age 62. At December 31, 1999 and 1998, the cash surrender value of the policy of \$319,670 and \$275,265, respectively, has been offset against the accrued retirement benefit liability.

The following tables set forth the changes in the projected benefit obligation for the years ended December 31, 1999, 1998 and 1997 and the funded status of the plan and amounts recognized in the Company's balance sheet at December 31, 1999 and 1998:

		December 31,		
		1999	1998	1997
		(In thousands)		
Change in projected benefit obligation				
Benefit obligation, beginning of period	\$	271	350	501
Service cost		25	23	—
Interest cost		18	15	—
Actuarial gain		(44)	(117)	(151)
Benefit obligation, end of period	\$	270	271	350

		December 31,	
		1999	1998
		(In thousands)	
Funded status:			
Projected benefit obligation	\$	(270)	(271)
Unrecognized net loss (gain)		(36)	9
Unrecognized prior service cost		86	103
Net amount recognized	\$	<u>(220)</u>	<u>(159)</u>
Amounts recognized in the balance sheet:			
Accrued benefit liability	\$	(270)	(271)
Intangible asset		50	112
Net amount recognized	\$	<u>(220)</u>	<u>(159)</u>

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

The following tables set forth the components of net periodic benefit costs for the years ended December 31, 1999, 1998 and 1997:

		Year ending December 31,		
		1999	1998	1997
		(In thousands)		
Components of net periodic benefit cost:				
Service cost	\$	25	23	—
Interest cost		18	15	—
Amortization of prior service cost		17	17	—
Net periodic benefit cost	\$	60	55	—
Assumptions:				
Discount rate		7.75%	6.75%	7.25%
Expected return on plan assets		N/A	NA	NA
Rate of compensation increase		—	—	—

(13) Employment Agreements

The Company has agreements with two of its officers which contain change in control provisions which would entitle one officer to receive 50% of his salary and the other officer to receive 200% of his salary in the event of a change in control of the Company and a change in certain conditions of their employment. The maximum contingent liability under these agreements is approximately \$470,000 at December 31, 1999.

(14) Difference Between Canadian and U.S. Generally Accepted Accounting Principles

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP), which differ in certain respects from those principles and practices that the Company would have followed had its consolidated financial statements been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Canadian accounting principles provide for the deferral of exploration expenditures until such time as the property is put into production or the property is abandoned or disposed of through sale, or when it is no longer considered to be commercially viable. For U.S. GAAP purposes, the Company has expensed all exploration costs until such time as the Company establishes, generally by completing a detailed feasibility study, that a commercially mineable deposit exists. During 1999, the Company changed its method of accounting for completing detailed feasibility studies on its properties to expense those costs as incurred. The cumulative effect of this change, calculated as of January 1, 1999 was \$4,355,000, which amount was charged to operations in 1999 as the cumulative effect of a change in accounting principle for U.S. GAAP purposes. Management believes the newly adopted accounting method is preferable because it is the more predominant method used in the mining industry and it will better reflect operating income and cash flow.

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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, requires that a company classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. Under U.S. GAAP, the accumulated other comprehensive income at both December 31, 1999 and 1998, is \$798,000, representing cumulative foreign currency translation adjustments. Since there was no change in this amount in 1999, 1998 or 1997 comprehensive income under U.S. GAAP is equal to the net loss under U.S. GAAP for those periods presented below.

Other differences between Canadian GAAP and U.S. GAAP as they relate to these financial statements are not significant.

The application of U.S. GAAP would have had the following effect on the Company's balance sheets:

		December 31,			
		1999		1998	
		Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
		(In thousands)			
Deferred exploration and development costs	\$	15,591	5,250	19,141	11,897
Deferred tax liability	\$	4,019	2,129	5,300	3,498
Shareholders' equity	\$	17,617	9,166	25,339	19,898

The application of U.S. GAAP would have had the following effect on the Company's statements of operations:

		Year ended December 31,		
		1999	1998	1997
		(In thousands)		
Net earnings (loss) – Canadian GAAP	\$	(7,722)	25	(14,327)
Accounting for exploration costs		1,258	(322)	10,385
Income tax effect		87	370	638
Earnings (loss) before cumulative effect of change in method of accounting – U.S. GAAP		(6,377)	73	(3,304)
Cumulative effect of change in method of accounting		(4,355)	—	—
Net earnings (loss) – U.S. GAAP	\$	(10,732)	73	(3,304)

**NORD PACIFIC LIMITED
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Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

		Year ended December 31,		
		1999	1998	1997
			(In thousands)	
Loss per share before cumulative effect of change in method of accounting – U.S. GAAP	\$	(.49)	—	(.30)
Change in method of accounting – U.S. GAAP	\$	(.34)	—	—
Loss per share – U.S. GAAP	\$	(.83)	—	(.30)

(a) Additional Disclosures Required Under U.S. GAAP – Stock Compensation

For U.S. GAAP purposes, the Company has elected to measure compensation cost for stock options issued to employees using the intrinsic value based method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, which is consistent with the method used for Canadian GAAP. Had compensation cost for the Company's option grants in 1995 and subsequent years been determined based on the fair value of the options at the grant dates consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share under U.S. GAAP would have been reduced to the pro forma amounts indicated below:

		Year ended December 31,		
		1999	1998	1997
			(In thousands)	
Net loss – U.S. GAAP	As reported	\$ (10,732)	(73)	(3,304)
	Pro forma	(10,848)	(614)	(3,770)
Loss per share – U.S. GAAP	As reported	(.83)	—	(.30)
	Pro forma	(.84)	(.05)	(.34)

No options were granted during 1999. The assumptions used in determining the fair value of options granted during 1998 and 1997 are as follows:

	1998	1997
Expected volatility	73%	55%
Expected life of grant	3 years	2.5 years
Risk-free interest rate	5.567%	6.05%
Expected dividend rate	None	None

**NORD PACIFIC LIMITED
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 1999, 1998 and 1997

The weighted average fair value of options granted during the years ended December 31, 1998 and 1997 was \$1.14 and \$2.06, respectively.

(b) *New Accounting Pronouncement*

In June 1998, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133 establishes standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in its balance sheet and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company has not yet determined the effect of SFAS No. 133 on its financial statements prepared under U.S. GAAP and does not believe that such a determination will be meaningful until closer to the date of initial adoption.

(15) Environmental Contingencies

At December 31, 1999, the Company had reserves of approximately \$133,000 for remediation of certain Australian and Papua New Guinea sites and other environmental costs which have been provided for in accordance with the Company's policy to record liabilities for environmental expenditures when it is probable that obligations have been incurred and the costs can reasonably be estimated.

The amounts of these liabilities are very difficult to estimate due to such factors as the unknown extent of the remedial actions that may be required and, in the case of sites not owned by the Company, the unknown extent of the Company's probable liability in proportion to the probable liability of other parties.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING
AND FINANCIAL DISCLOSURE**

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by the above Items 10-13 is incorporated by reference to the Company's Proxy Statement to be filed with the Securities and Exchange Commission on or before April 30, 2000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements:

The following consolidated financial statements of Nord Pacific Limited as of December 31, 1999 and 1998 and for each of the years in the three-year period ended December 31, 1999 are included in Part II, Item 8 of this Form 10-K:

Independent Auditor's Reports
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

2. Financial Statement Schedules

None

3. Exhibits

See "Exhibit Index" on Page 63

(b) Reports on Form 8-K

No reports on Form 8-K were filed in the quarter ended December 31, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORD PACIFIC LIMITED

/s/ Edgar F. Cruft

Edgar F. Cruft
Chairman of the Board
March 29, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Edgar F. Cruft

Edgar F. Cruft
Chairman of the Board
April 12, 2000

/s/ W. Pierce Carson

W. Pierce Carson
Chief Executive Officer, President and Director
April 12, 2000

/s/ John P. Griffith

John P. Griffith
Acting Chief Financial Officer
April 12, 2000

/s/ Terence H. Lang

Terence H. Lang
Director
April 12, 2000

/s/ Leonard Lichter

Leonard Lichter
Director
April 12, 2000

Lucile Lansing

Director
April 12, 2000

John B. Roberts

Director
April 12, 2000

Ray W. Jenner

Director
April 12, 2000

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORD PACIFIC LIMITED

Edgar F. Cruft
Chairman of the Board
March 29, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Edgar F. Cruft
Chairman of the Board
April 12, 2000

W. Pierce Carson
Chief Executive Officer, President and Director
April 12, 2000

John P. Griffith
Acting Chief Financial Officer
April 12, 2000

Terence H. Lang
Director
April 12, 2000

Leonard Lichter
Director
April 12, 2000

Lucile Lansing
Director
April 12, 2000

John B. Roberts
Director
April 12, 2000

Ray W. Jenner
Director
April 12, 2000

INDEX TO EXHIBITS

- 3.1 Registrant's Amended Memorandum of Association. Reference is made to Exhibit 3.2 to Registrant's 1993 Form 10-K.
- 3.2 Registrant's Amended By-Laws. Reference is made to Exhibit 3.3 to Registrant's 1993 Form 10-K.
- 10.1 Amended Joint Venture Agreement of Nord-Highlands Mineral Venture-I. Reference is made to Exhibit 10.1 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.2 Trust Deed dated December 28, 1978 between Nord Australex Nominee Pty. Ltd. and Nord Australex Limited Partnership. Reference is made to Exhibit 10.4 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.3 Memorandum of Association and Articles of Association of Nord Australex Nominees Pty. Ltd. Reference is made to Exhibit 10.5 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.4 Deed of Acknowledgement dated February 6, 1981 of Nord Australex Nominees Pty. Ltd. Reference is made to Exhibit 10.6 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.5 Memorandum of Association and Articles of Association of Nord Resources (Pacific) Pty. Ltd. Reference is made to Exhibit 10.7 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.6 Management Agreement dated December 29, 1978 between Nord Australex Nominees Pty. Ltd. and Nord Resources (Pacific) Pty. Ltd. Reference is made to Exhibit 10.8 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.7 Trust Deed dated December 29, 1978 between Nord Australex Nominees (PNG) Pty. Ltd. and Nord Australex Limited Partnership. Reference is made to Exhibit 10.9 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.8 Memorandum of Association and Articles of Association of Nord Australex Nominees (PNG) Pty. Ltd. Reference is made to Exhibit 10.10 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.9 Deed of Acknowledgment dated February 8, 1981 of Nord Australex Nominees (PNG) Pty. Ltd. Reference is made to Exhibit 10.11 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.10 Memorandum of Association and Articles of Association of Nord Exploration Company (Pty.) Limited. Reference is made to Exhibit 10.12 in Registrant's Registration Statement on Form S-4 (33-25683).

INDEX TO EXHIBITS

- 10.11 Management Agreement dated December 29, 1978 between Nord Australex Nominees (PNG) Pty. Ltd. and Nord Exploration Company (Pty.) Ltd. Reference is made to Exhibit 10. 13 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.12 Joint Venture Agreement dated November 17, 1978 among Nord Exploration Company (Pty.) Limited, Carpentaria Exploration Company Pty. Ltd. and Eastern Pacific Mines Pty. Limited. Reference is made to Exhibit 10.23 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.13 Deed of Variation dated November 29, 1986 among Nord Australex Nominees (PNG) Ltd., Nord Exploration Company (PNG) Limited, Carpentaria Exploration Company Pty. Ltd. and Eastern Pacific Mines Pty. Limited. Reference is made to Exhibit 10.24 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10.14 Deed of Assignment dated October 3, 1987 among Carpentaria Exploration Company Pty. Ltd., Nord Australex Nominees (PNG) Pty. Ltd., Eastern Pacific Mining Pty. Limited and Highlands Gold Properties Pty. Limited. Reference is made to Exhibit 10.25 in Registrant's Registration Statement on Form S-4 (33-25683).
- 10. 15 Prospecting Authority No: 192 dated February 27, 1992 (Ramu River). Reference is made to Exhibit 10.20 to Registrant's 1991 Form 10-K.
- 10.16 Extension of Prospecting Authority No. 609 dated July 29, 1993 (Tabar Islands). Reference is made to Exhibit 10.19 to Registrant's 1993 Form 10-K.
- 10.17 Management Agreement dated April 2, 1990 between Registrant and Nord Resources Corporation. Reference is made to Exhibit 10.24 to Registrant's Form 10-K for 1990.
- 10.18 Registrant's 1989 Stock Option Plan. Reference is made to Exhibit 10.25 to Registrant's Form 10-K for 1990.
- 10.19 Registrant's 1990 Stock Bonus Plan. Reference is made to Exhibit 10.26 to Registrant's Form 10-K for 1990.
- 10.20 Registrant's 1991 Stock Option Plan. Reference is made to Exhibit 10.31 to Registrant's 1991 Form 10-K.
- 10.21 Assumption agreement of W. Pierce Carson. Split Dollar Insurance and Supplemental Compensation Plan. Reference is made to Exhibit 10.37 to Registrant's 1991 Form 10-K.
- 10.22 Joint Venture Agreement between Registrant and Straits Engineers Contracting Pte Ltd. Reference is made to Exhibit 2.2 to Registrant's Form 8-K filed on December 23, 1991.

INDEX TO EXHIBITS

- 10.23 Severance agreement. W. Pierce Carson dated April 1, 1992. Reference is made to Exhibit 10.33 to Registrant's 1992 Form 10-K.
- 10.24 Severance agreement. Mark R. Welch dated April 2, 1992. Reference is made to Exhibit 10.34 to Registrant's 1992 Form 10-K.
- 10.25 Amendment to Ramu Joint Venture Agreement the Registrant and High lands Gold Ltd. dated May 13, 1992. Reference is made to Exhibit 10.36 to Registrant's 1992 Form 10-K.
- 10.26 Girilambone Mining Joint Venture Agreement between Registrant and Straits Resources Pty. Ltd. dated August 26, 1992. Reference is made to Exhibit 10.37 to Registrant's 1992 Form 10-K.
- 10.27 Girilambone Exploration Joint Venture Agreement between Registrant and Straits Resources Pty. Ltd. dated August 26, 1992. Reference is made to Exhibit 10.28 to Registrant's 1992 Form 10-K.
- 10.28 Girilambone Project Co-Ordination Agreement between Registrant and Straits Resources Pty. Ltd. dated August 26, 1992. Reference is made to Exhibit 10.39 to Registrant's 1992 Form 10-K.
- 10.29 Girilambone Variation Agreement between Registrant and Straits Resources Pty. Ltd. dated August 26, 1992. Reference is made to Exhibit 10.40 to Registrant's 1992 Form 10-K.
- 10.30 Girilambone Facility Agreement between the Registrant and the R&I Bank of Western Australian Ltd. dated January 12, 1993. Reference is made to Exhibit 10.41 to Registrant's 1992 Form 10-K.
- 10.31 Girilambone Facility Agreement between Registrant and Rothschild Australia Ltd. dated February 5, 1993. Reference is made to Exhibit 10.42 to Registrant's 1992 Form 10-K.
- 10.32 Commodity Swap Agreement between Registrant and R&I Bank of Western Australia dated January 12, 1993. Reference is made to Exhibit 10.43 to Registrant's 1992 Form 10-K.
- 10.33 Commodity Option Agreement between Registrant and R&I Bank of Western Australia dated January 12, 1993. Reference is made to Exhibit 10.44 to Registrant's 1992 Form 10-K.
- 10.34 Deed Polls regarding the Nord Australex Exploration (Australian) Trust entered into by Nord Gold Company, Registrant and Nord-Highlands Mineral Venture-I dated January 12, 1993. Reference is made to Exhibit 10.45 to Registrant's 1992 Form 10-K.
- 10.35 Underwriting Agreement between Registrant and Prudential-Bache Securities (Australia) Limited dated December 17, 1993. Reference is made to Exhibit 10.50 to Registrant's 1993 Form 10-K.

INDEX TO EXHIBITS

- 10.36 Deed of Agreement between Registrant, Straits Engineers Contracting PTE Ltd. and Straits Resources Pty. Ltd. regarding Girilambone Copper Project Joint Venture. Reference is made to Exhibit 10.53 to Registrant's 1993 Form 10-K.
- 10.37 Purchase Agreement between Registrant and Kennecott Explorations (Australia) Ltd. and Niugini Mining Limited dated August 30, 1993. Reference is made to Exhibit 10.58 to Registrant's 1993 Form 10-K.
- 10.38 Nord Pacific Limited Stock Option effective April 7, 1994. Reference is made to Exhibit 10.39 to Registrant's 1994 Form 10-K.
- 10.39 ADR Deposit Agreement with Bank of New York. Reference is made to Exhibit 10.41 to Registrant's 1995 Form 10-K.
- 10.40 Copper hedge executed December 5, 1996 with Rothschild Australia Limited. Reference is made to Exhibit 10.41 to Registrant's 1996 Form 10-K.
- 10.41 Amended and Restated Facility Agreement between the Registrant and Bank of Western Australia Ltd. dated February 28, 1997. Reference is made to Exhibit 10.42 to Registrant's 1996 Form 10-K.
- 10.42 Promissory Note between the Registrant and Nord Resources Corporation dated October 24, 1996. Reference is made to Exhibit 10.43 to Registrant's 1996 Form 10-K.
- 10.43 Subscription Agreement dated July 3, 1997 between Registrant and Nord Resources Corporation. Reference is made to Exhibit 10.43 to Registrant's 1997 Form 10-K.
- 10.44 Employment Agreement between Registrant and W. Pierce Carson. Reference is made to Exhibit 10.44 to Registrant's 1997 Form 10-K.
- 10.45 Employment Agreement between the Registrant and Edgar F. Cruft. Reference is made to Exhibit 10.45 to Registrant's 1997 Form 10-K.
- 10.46 Common Stock Purchase Agreement between the Registrant and Mineral Resources Development Company Pty., Limited dated December 3, 1997. Reference is made to Exhibit 10.1 to Registrant's Form 8-K filed on December 24, 1997
- 10.47 Letter from Deloitte & Touche to the Securities and Exchange Commission dated April 28, 1998. Reference is made to Exhibit 10.47 to Registrant's Form 8-K filed on May 1, 1998.
- 10.48 Articles of Continuance dated August 13, 1998. Reference is made to Exhibit 10.48 to Registrant's Form 8-K filed on October 19, 1998.

INDEX TO EXHIBITS

- 10.49 Amended and Restated Facility Agreement between the Registrant and Bank of Western Australia Ltd. dated December 29, 1998. Reference is made to Exhibit 10.49 to registrant's 1998 Form 10-K.
- 11.1 Computation of Earnings Per Share – 1994. Reference is made to Exhibit 11.1 to Registrant's 1994 Form 10-K.
- 21.1 Subsidiaries of Registrant. Reference is made to Exhibit 22.1 to Registrant's 1992 Form 10-K.
- 23.1 Consent of KPMG LLP.
- 23.2 Consent of Deloitte & Touche
- 27.1 Financial Data Schedule for fiscal year end 1999.
- 28.1 Assurance under The Exempted Undertaking Tax Protection Act, 1966, issued by the Minister of Finance of the Island of Bermuda. Reference is made to Exhibit 28.3 in Registrant's Registration Statement on Form S-4 (33-25683).

Independent Auditors' Consent

The Board of Directors
Nord Pacific Limited:

We consent to the incorporation by reference in the registration statements (Nos. 33-41147, 33-51752, 33-84654, 33-95514, 33-21159, 33-50677 and 33-65167) on Form S-8 of Nord Pacific Limited and subsidiaries of our report dated April 5, 2000 relating to the consolidated balance sheets of Nord Pacific Limited and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended which report appears in the December 31, 1999, annual report on Form 10-K of Nord Pacific Limited.

KPMG LLP

Denver, Colorado
April 13, 2000

Independent Auditors' Consent

We consent to the incorporation by reference in Registration Statement Nos. 33-41147, 33-51752, 33-84654, 33-95514, 33-21159, 33-50677 and 33-65167 of Nord Pacific Limited on Form S-8 of our report dated March 20, 1998, appearing in and incorporated by reference in the Annual Report on Form 10-K of Nord Pacific Limited for the year ended December 31, 1999.

DELOITTE & TOUCHE
Hamilton, Bermuda

April 13, 2000